Nova Scotia Crown Corporation Business Plans

For the fiscal year 2007–2008

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Crown Corporation Business Plans

Crown corporation business plans are printed under authority of Section 73 of the Provincial Finance Act:

73 *Commencing April 1, 1997, a crown corporation shall annually*

(a) *submit to the House of Assembly for approval during consideration of the Estimates its business plan and any proposed public financing; and*

(b) *table in the House of Assembly audited financial statements for the preceding fiscal year*

The public presentation, annually, of Crown corporation business plans will increase the accountability to the House of Assembly of organizations generally accepted to be in the public sector but outside the direct control of government. Business plans define key elements of Crown corporations such as their mission, strategic goals, and core functions as well as give indication of performance, priorities, outcome measures, and budgets.

Organizations included in this volume are designated as Crown corporations by their enabling legislation, by Order in Council, or by application of the criteria established under Section 70 (Crown Corporations) of the Provincial Finance Act.

The approval of business plans as required by clause (a) will be sought through the Estimates Resolutions. Compliance with clause (b) will be achieved throughout the fiscal year as audited financial statements become available.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

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FOR THE FISCAL YEAR 2007–2008

Art Gallery of Nova Scotia
Business Plan 2007–2008

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Mission

To bring the art of the world to Nova Scotia and the art of Nova Scotia to the world.

Link to the Corporate Path

(“Building for Families, Building for the Future”)

The Art Gallery of Nova Scotia is accumulating a substantial art collection, fulfilling audience needs in perpetuity by giving first-hand access to art objects considered to be of lasting value. AGNS, through its mentoring, teaching, and internship programs, assists the development of emerging young professionals: educators, curators, museum professionals as well as artists. By providing programs and learning opportunities of international calibre and renown, AGNS contributes to Nova Scotia’s reputation as a vibrant community committed to artistic excellence.

The Corporate Path’s first listed priority is “creating winning conditions” through globally competitive business climate, workforce, and connections. AGNS exhibition and collection programs foster global competitiveness through making the art of the world available to Nova Scotians in their home province and through raising the international profile of Nova Scotia art and artists through our travelling exhibitions and our coordination of the internationally renowned Sobey Art Award.

The third priority articulated by the Corporate Path (building for individuals, families, and communities) encompasses strategies designed to foster healthy, active Nova Scotians, accessible services, safe communities, and vibrant communities.

Participation in the arts, and in our particular case, the visual arts, provides necessary benefits in the development of one’s overall health and wellness. Positive self-esteem, creativity, self-awareness, and discovery flourish when opportunities in the arts are provided. AGNS Education and Public Programs directly support individuals, families, and communities through relevant and inspiring programs. The AGNS is a public institution, and these programs are accessible to all Nova Scotians and visitors alike.

Planning Context

The Art Gallery of Nova Scotia is the principal art museum of the Province of Nova Scotia and is responsible for maintaining the Crown's art collection on behalf of the people of Nova Scotia. AGNS is the largest, most significant art museum in Atlantic Canada.

The gallery is overseen by a Board of Governors made up of dedicated volunteers, who accept and hold a public trust and ensure that cultural activity remains in the public domain to the benefit of current and future generations. The AGNS board assumes responsibility, loyalty, and a duty to uphold the integrity of the organization. The advocacy role of the AGNS Board of Governors is paramount in developing community awareness of the gallery's mission and in representing and interpreting the value of AGNS to community, government, corporate, and other funding agencies.

Distinct from other related public arts institutions, the AGNS has the responsibility to acquire, maintain, conserve, research, publish, and make accessible the Crown's art collection. The principal activities of the AGNS are the acquisition, preservation and research of arts collections, the creation of knowledge through research, and the dissemination of these resources through exhibitions, publications, public lectures, presentations, and education and outreach programs.

Since May 2006, AGNS has been providing these services through two venues—AGNS at Halifax and the Western Branch in Yarmouth. The completion of construction allowed the opening of AGNS Western Branch in Yarmouth for the 2006 tourist season. The Western Branch acts as a gateway to the arts for visitors entering Nova Scotia via the Yarmouth ferries, and now serves as a special event centre for the arts community and the people of the southwestern tri-county region.

Our Environment

Like other museums, the AGNS is aware of the competition for operating revenues. We have seen recently announced cuts to cultural funding at the national level; and in vibrant communities like Halifax and Yarmouth there is much local competition for entertainment and cultural offerings. Limited revenues and escalating costs have caused the AGNS to constantly look for ways to streamline processes and generate efficiencies in operational and programming areas. An ongoing priority is finding the right balance between fiscal responsibility and the provision of relevant, quality programs.

By continuing to support our offerings in ever-increasing numbers, the people of Nova Scotia have told us that our public programs are of value. The AGNS has seen, in the past fiscal year, a significant increase in government operational funding at the provincial level, sustained levels in revenues generated from the public, and an increase in funds generated from government and corporate sources for our exhibitions and education programs.

These revenue increases, combined with a tighter control over our expenditures, will lead to the elimination of operating deficits for 2006–2007. A balanced budget and growth in our Endowment Fund assets will position us well for the future.

Maintaining fiscal prudence will continue to be a priority in 2007–2008. The AGNS has made significant strides in improving financial reporting, cost control, and corporate governance, and these process improvements will continue to be enhanced in the upcoming year. As well, a major thrust will be the formulation and implementation of a comprehensive Development Plan that will chart the course for our fundraising efforts in the future.

One of the AGNS' biggest achievements in recent years has been our success in growing the Crown's art collection. In the last year alone, some 1,000 artworks with an estimated value of $6 million dollars were donated by various artists, institutions, and collectors across the country and beyond. The collection is properly housed in secure, climate-controlled facilities, but additional space will soon be required. This is a critical area that will be studied and pursued aggressively, and various options will be evaluated in the upcoming year.

Through its programs and leadership, AGNS contributes to the positive environment that promotes the growth of the visual arts in Nova Scotia. It aspires to identify, acknowledge, encourage, and support the very finest achievements in the arts, to bring these to the public, to encourage their growth, and to promote awareness, from the local level to the international stage.

While fiscal sustainability will continue to be our priority, we will also focus more clearly on growing and improving our many service offerings. A Visitor Services initiative will enhance the experience for those who visit our galleries. Improvements will continue to be made in our various auxiliary services. Our art appreciation and outreach programs will continue to grow and reach more Nova Scotians. Exhibition programming will highlight permanent collections, travelling shows, exhibitions with international appeal, and recent acquisitions. And with the Western Branch being open year-round, we will continue to grow and enhance the programming at that venue.

Strategic Goals

The AGNS has several areas of longer-term direction, including

1. **Financial Sustainability:** Continue to ensure that financial sustainability is a priority at all times.

   With financial sustainability, the AGNS will become a key driver for increasing the economic and export potential of Nova Scotia's tourism, culture, and heritage resources, in particular the visual arts.

2. **Education:** Facilitate lifelong learning by providing greater access to Nova Scotia's visual arts culture and heritage and by providing programs that enhance the learning experience.

   While this is an ongoing process and many effective and popular programs are currently being offered, the goal is to ensure that program enhancements and growth are possible, and financially self-sustainable.

3. **Governance and Accountability:** Continue to implement the governance and management recommendations outlined in the 2004 KPMG report and our AGNS Strategic Plan

4. **Stewardship:** Preserve, promote, interpret, and develop Nova Scotia's diverse visual arts culture and heritage.

   Preservation and conservation of the Crown's art collection are ongoing priorities. A strategy for the acquisition of additional space to house our growing collection will be initiated.

Core Business Areas

The core business of the Art Gallery of Nova Scotia is the creation, accumulation, and dissemination of knowledge through the visual arts. These are delivered through four distinct but interrelated functional areas.

1. Education and Public Programming

AGNS has a very ambitious Education and Public Programming strategy that focuses on both on-site and outreach activities. On-site activities surround the support and the interpretation of our temporary exhibitions programming and of our permanent collection exhibitions. Offerings include special exhibitions, the development of in-house didactic material in exhibitions, daily guided public tours, early childhood education programs, infant and toddler/parent programs, studio/gallery workshops for students and teachers, family programs, a large docent program in support of school visits, an interpretative gallery team, and the fostering of lifelong learning with a series of lectures, films, artist talks, and other educational activities, including access to archives, publications, and study materials.

Outreach activities involve many new community collaborative partnerships. ArtReach, an innovative program developed in partnership with the Department of Education, continues in its second year to build on exciting links between the art gallery programs/exhibitions, Nova Scotia schools, and the community. This initiative underscores the gallery's commitment to developing programs to reach diverse audiences and provide greater access to rural communities. Newly gifted prints from the Canada Council Art Bank collection are included in travelling ArtReach exhibitions to schools, museums, hospitals, and other community centres complemented by educational workshops for people of all ages in their own communities. AGNS also reaches out to schools by continuing to serve as the lead partner for ArtsSmarts Nova Scotia, the provincial partner for the national ArtsSmarts program, the largest education initiative in Canada. ArtsSmarts inspires collaboration between artists and educators to design and offer innovative projects for students that support specific curriculum goals by learning through the arts. Presently, the focus is on the sustainability of this program in Nova Scotia by building a consortium of partners from government, corporate, and community organizations.

Other outreach programs include programming in these focus areas: Arts and Wellness, including extensive work with the IWK Health Centre; Resiliency and Youth, including programs with organizations such as Phoenix Youth Programs, Laing House, and HomeBridge Youth Society; and Young Learners, which involves providing services to day-care centres, including the availability of specially designed art resource kits distributed on loan to day-care centres throughout the province. AGNS is working on documenting both the details and vision of these unique outreach programs within the context of the overall gallery mandate.

2. Exhibitions

In the area of Exhibitions AGNS is committed to our mission of bringing the art of the world to Nova Scotia and the art of Nova Scotia to the world. In addition to our (now) annual Sobey Art Award exhibitions, AGNS is committed to presenting a wide range of art in our exhibition program. With the opening of AGNS Yarmouth last spring, we now have a major new exhibition venue in which to present programs.

We are committed to building audiences for art, and we have a three-part strategy for doing so. The first, as stated above, is the ongoing growth of the Sobey Art Award. The second is to work to broaden our programming of more “museum-style” exhibitions, exhibitions of world culture and heritage, which will be paired up with other challenging art exhibitions. The third part of our strategy is to build partnerships to broaden the reach of our contemporary art exhibitions, to tour exhibitions within the province and across the region and the country. To that end we actively seek partnerships to ensure that our contemporary Canadian projects are seen by as many audiences as possible. We tour every one of our contemporary Canadian projects to at least one other venue.

We are committed to assisting in maximizing the export potential of the province’s resources by raising the profile of this region’s art activity across the country. We are committed to developing exhibitions that examine the work of individual artists and to producing catalogues that do justice to their work. Thematic exhibitions that we develop are drawn almost exclusively from our permanent collection and serve to complement the solo exhibition projects on concurrently in the gallery. Our objective is to be a leader in the advancement of knowledge and understanding of visual art and in the fostering of the careers of Canadian artists.

3. Collections and Conservation

AGNS acquires artworks for the permanent collection consistent with the mandate of the acquisition policy and of the AGNS Mission Statement. The gallery maintains related library, film, video, and resource support materials, along with institutional archival records pertaining to collections, exhibitions, and institutional history. AGNS ensures proper management of the collection through documentation, maintenance of records, and research. The Art Gallery of Nova Scotia ensures that the Province of Nova Scotia’s collection is preserved and maintained in an environment that meets museum standards, while conducting conservation and restoration treatments using accepted practices of research, examination, analysis, and documentation.

4. Development and Auxiliary Services

This business function serves to financially maintain the operations of the AGNS and to encourage the public to visit the Art Gallery of Nova Scotia and engage in the visual arts. AGNS creates market awareness through various public relations tools. AGNS promotes membership to the public, generating revenue, and as well, many of these members become volunteers who assist the gallery in all aspects of its operations, including fundraising, governance, and program delivery. The gallery provides auxiliary services that benefit visitors and members while increasing gallery funding. Services include membership, volunteer programs, a Gallery Shop, facility rentals, Art Sales and Rental, and Cheapside Café.

Priorities for 2007–2008

The priorities for the Art Gallery of Nova Scotia that are identified in this business plan are organized according to the core business area they best serve in furthering our strategic goals.

We have identified eight priorities for the 2007–2008 fiscal year, as follows:

Core Business Area 1: Education and Public Programming

Priority 1: A priority is to document both the details and overview of the on-site and outreach educational programming. This documentation will be used for clarification and assessment, leverage for funding, and resource material for visitors and public research. This documentation will include content material as well as financial justification for the continued development and expansion of these programs.

Core Business Area 2: Exhibitions

Priority 2: To disseminate knowledge in the arts by touring AGNS-developed exhibitions and by bringing in international exhibitions to Nova Scotia.

Core Business Area 3: Collections and Conservation

Priority 3: Initiate a strategy to increase capacity of climate-controlled storage for the Crown's growing art collection.

Priority 4: Improve the Crown's art collection with the addition of significant, relevant artwork.

Core Business Area 4: Development and Auxiliary Services

Priority 5: Balance the annual budget by ensuring that expenses are contained within the restrictions of Operating and Programming revenues. This result should be attained without compromising service delivery. A major area of focus is development, and this successful outcome is directly linked to AGNS's ability to attract and hire a development professional to lead this effort.

Priority 6: Continue to implement the governance recommendations as outlined in the KPMG report of April 2004. Six items remain to be implemented or fully developed, covering the following areas:

- Reporting relationships
- Amendments to AGNS By-LAWS
- Monthly financial reporting formats
- Exhibition budget monitoring
- Performance management
- Expense controls.

Priority 7: Formulate a comprehensive "development plan" that will direct the fundraising efforts of the AGNS. This plan will encompass all revenue sources, including admissions, memberships, auxiliary services, donations, exhibition and education sponsorships, and special events.

Priority 8: Create a visitor services working group to (1) rethink our service-delivery model to Gallery patrons, (2) to help drive membership and admissions revenue, and (3) bring complementary services together under one efficient working construct.

Human Resource Strategy

The AGNS will continue to focus on performance and professional growth for staff and our many volunteers, ensuring that personal goals are in line with corporate objectives. Our Human Resource strategy will encompass the following:

- continued implementation of our performance management process
- a comprehensive development plan to improve our revenue-generation capacity
- a revitalized Visitor Services initiative
- a volunteer policy to address recruitment, retention, training, scheduling, and most importantly, recognition of our volunteers.

Budget Context

Art Gallery of Nova Scotia Consolidated Budget, Fiscal Year 2007–2008

Please note: The AGNS has three funds: Operating (which includes the Gallery Shop and Product Development), Acquisition, and Endowment. This business plan reports on the consolidated budget for the entire organization, as in last year's business plan. However, due to the consolidation of five funds into three for the 2006–2007 fiscal year, some of the comparative groupings have been revised.

	Estimate 2006–07	**Forecast 2006–07**	**Estimate 2007–08**
Operating Revenues:			
Province of Nova Scotia	$1,559,000	$1,928,000	$1,793,000
Admissions and memberships	335,000	310,000	380,000
Donations and other	168,500	151,300	232,000
Programming recoveries	681,666	690,000	935,000
Gallery recoveries	112,200	108,000	126,000
	2,856,366	3,187,300	3,466,000
Operating Expenses:			
Salaries and benefits	1,141,600	1,262,000	1,316,000
Building operations	924,500	889,000	939,500
Programming	735,000	794,000	1,010,500
Development and public relations	115,000	127,000	105,000
Western Branch	110,000	300,000	250,000
	3,026,100	3,372,000	3,621,000
Surplus (Deficit)	(169,734)	(184,700)	(155,000)
Gallery Shop	42,700	25,200	30,000
Product development	21,500	22,500	25,000
Net Operating Income (Loss)	(105,534)	(137,000)	(100,000)
Endowment Fund—Net	101,000	101,000	100,000
Acquisition Fund—Net	5,000	36,000	0
Surplus	$466	$0	$0

Outcomes and Performance Measures

Core Business Area 1 *Education and Public Programming*

Priority 1: Document both the details and overview of the on-site and outreach educational programming.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Document education and outreach programs	Documentation completed	Complete by summer 2007	Educator to prepare, with input from other team leaders
Increased funding for education and outreach programs	Private- and public-sector sponsorship grants	2006–07: $100,000 2007–08 target: $140,000	Educator to work with development staff to secure additional funds

Core Business Area 2 *Exhibitions*

Priority 2: Disseminate knowledge in the arts by touring AGNS-developed exhibitions and bringing in international exhibitions to Nova Scotia.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Increased visitations to AGNS-generated touring exhibitions	Number of patrons	2006–07: 18,500 2007–08 target: 48,000	Assign more resources to seeking partners for touring shows. Seek funding from Canada Council for traveling exhibition co-coordinator.
Increase visitation to international exhibitions	Number of patrons	2006–07: 30,000 2007–08: 80,000	Secure and mount international shows. Hire development person to raise sponsorships.
Increased sponsorship revenue for AGNS-generated touring exhibitions	Sponsorship revenue	2007–08 target: $55,000	Assign more resources to seeking partners for touring shows. Seek funding from Canada Council for traveling exhibition co-coordinator. Hire development person to raise sponsorships.
Increased sponsorship revenue for international exhibitions	Sponsorship revenue	2007–08 target: $115,000	Hire development person to raise sponsorships.

Core Business Area 3 *Collections and Conservation*

Priority 3: Initiate a strategy to increase capacity of climate-controlled storage for the Crown's growing art collection.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Create task force or working group	Task force/working group created	Have in place by spring 2008	Work with Board of Governors to create task force or working group to study the issues and make recommendations on strategy

Priority 4: Improve the Crown's art collection with the addition of significant, relevant artworks.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Add artworks that fulfil our mission	Number of artworks from acquisition priority document	2007–08 target: 20 objects	Strategic purchases through grants, fundraising, and targeted donation requests.

Core Business Area 4 *Development and Auxiliary Services*

Priority 5: Balance the annual budget by ensuring that expenses are contained within the restrictions of Operating and Programming revenues.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Balanced budget	Revenues equal to or greater than Expenses	2006–07 projected net income: $0 2007–08 target net income: $0	Improve PO system to better control expenses Implement development plan Hire development staff person Display high-profile exhibitions Enhanced Visitor Services

Priority 6: Continue to implement the governance recommendations outlined in the KPMG report of April 2004.

Completion of six outstanding items from KPMG report	Six items implemented	Have in place by spring 2008	Corporate Controller to maintain list and ensure implementation

Priority 7: Formulate a comprehensive "development plan" that will direct the fundraising efforts of the AGNS.

Development plan documented and implemented	Development plan implemented	Documentation completed: April 2007 Implementation started: Sept 2007 Fully implemented: Dec 2007	Development staff to work with board's Development Committee to draft and implement plan

Core Business Area 4 *Development and Auxiliary Services*

Priority 8: Create a Visitor Services Working Group to rethink our service-delivery model to Gallery patrons, to help drive membership and admission revenue, and bring complementary services together under one efficient working construct.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Working group created and strategy documented	Visitor Services plan created	Summer 2007	Working group to be a sub-group of the AGNS Team Leaders group
Implementation of Visitor Services Strategy	Visitor Services Strategy implemented	By December 2007	Working group to work with AGNS Team Leaders group to draft and implement plan

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Halifax-Dartmouth Bridge Commission

Business Plan 2007–2008

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Mission

To provide safe, convenient, efficient, and reliable passage for our patrons at an appropriate cost.

Link to the Corporate Path

Creating Winning Conditions

Globally Competitive Connections

The Halifax-Dartmouth Bridge Commission is an important link in the Atlantic Gateway concept. It provides the state-of-the-art direct road link between the port's two container terminals and North American markets. Because the link is there, its impact is unacknowledged.

The commission has also contributed to safe passage for the marine industry by being partners in the development of a GPS-based system to measure the air gap of the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Air gap is the measurement between the highest point of a ship's superstructure and the lowest part of the bridge's superstructure.

Seizing New Economic Opportunities

Leader in Information Technology

The commission's *MACPASS* electronic toll collection system is a value-added service to users of the Macdonald and MacKay Bridges. How the commission manages traffic flow across the bridges directly impacts tens of thousands of commuters and commercial operators every day. Residents of HRM benefit directly and indirectly from *MACPASS* usage—faster transit times, added convenience, and cost savings over using cash.

In 2007, the commission will begin implementing a new toll collection system—an Automated Vehicle Classification system that is based on an axle count classification system. This will replace the current gross registered vehicle weight system. Axle-based tolling is based on the number of axles per vehicle and is the industry standard for tolling systems in North America. It is a more accurate method of allocating costs in a user-pay system. When the new system becomes operational in 2008, some vehicle classes will see a drop in their toll rates, others will see no change, and some classes will see an increase. The majority of bridge users are Class 1, who will see no change to their tolls except when pulling a trailer.

Leader in R&D and Innovation

The commission and the Halifax Port Authority (HPA) are leaders in the research and development of the air gap system for the bridges. This is a unique innovation for bridges and marine safety.

The ability to accurately measure the air gap has enabled larger post-Panamax–sized containerships to transit to port facilities located in Bedford Basin. When the air gap system becomes fully operational in 2007, the minimum air gap clearance will be 1.35 m (1.55 m in reduced visibility)—a reduction from 2.0 m. The air gap system improves the Port of Halifax's ability to be globally competitive for the new larger classes of containerships that are currently on order for the Asia-to-U.S. East Coast service, via the Suez Canal. The air gap system provides the commission with new information about the bridges' dynamics, which is valuable for maintenance forecasting and analysis. This project also provides technological innovation for use in safe pilotage.

Leader in Clean and Green Economy

MACPASS reduces congestion on the bridge plazas and improves safety for vehicles using both bridges by allowing the traffic to keep moving. *MACPASS* helps to maximize the available capacity of the bridges. Independent analysis quantifies the contribution of the *MACPASS* tolling system as follows:

- 81,400 hours per year of peak travel time savings across both bridges; as an approximation, each commuter saves 9 hours per year
- an estimated yearly increase of 200,000 to 280,000 peak hour trips across both bridges as a direct result of *MACPASS*
- the reduction of fuel consumption by 1.7 million litres and the reduction of carbon dioxide by 4.2 million tonnes during peak hours throughout the year[1]

Building for Individuals, Families, and Communities

Healthy, Active Nova Scotians

The commission is proud to encourage healthy, active lifestyles for Nova Scotians. When the Macdonald Bridge opened in 1955, pedestrians and cyclists paid tolls to use the bridge, cyclists shared the two-lane roadway with motor vehicles, and pedestrians used a narrow sidewalk adjacent to the roadway. Today, cyclists and pedestrians travel the Macdonald Bridge toll-free and are rewarded with some of the best views of the city from a dedicated bicycle path and walkway, safely removed from motor vehicular traffic. In 2006, the commission installed emergency

1. Methodology: This measure is based on Natural Resources Canada information for the "per vehicle, per unit of time" production of carbon dioxide—knowing that one litre of fuel burned produces approximately 2.4 kg of carbon dioxide—and assumes that the time savings, if any, would have otherwise been spent idling in a queue.]

telephones along the sidewalk and the bicycle path to further encourage use of alternative means of transportation.

In 2007, Nova Scotians will celebrate the Bridge Commission's 25th Anniversary Bridge Walk. This is a hugely popular event, drawing upwards of 10,000 pedestrians for this two-hour period. The commission is one of the original sponsors of the Blue Nose International Marathon. The commission is a founding partner of BridgeMile—a free one-mile run across the Macdonald Bridge—open to people of all ages and abilities. This year marks the 13th annual run of BridgeMile.

Safe Communities

The commission contributes to building safe communities by being proactive with speed enforcement on the bridges to improve the safety of the travelling public and bridge personnel. In 2007, the commission will invest in developing new signage to provide advance warning of bridge restrictions due to high winds/extreme weather. In addition, the commission recently installed safety communication on the Macdonald Bridge sidewalk and bikeway. These telephones provide a 24/7 direct link to the Macdonald Bridge control room and have already proven to be useful.

The Macdonald Bridge and the MacKay Bridge are main traffic arteries and have a role to fill in emergency response preparedness. This is a responsibility that the commission takes very seriously. In 2007, the commission will design and implement phase 1 of its Integrated Security System and will continue to participate in emergency response planning and exercises with other agencies and organizations.

Planning Context

Mandate

The Halifax-Dartmouth Bridge Commission is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. As stated in Section 27 of the Halifax-Dartmouth Bridge Commission Act:

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality request the commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the commission may

(a) conduct such investigation and studies as it considers advisable respecting

(i) the need or advisability of a transportation project referred to in subsection (1),

(ii) the proper location of any such transportation project,

(iii) the manner or method of financing and operating any such transportation project,

(iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,

(v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the commission considers relevant

(b) for the purpose of making investigation and studies, engage expert or technical assistance;

(c) defray the cost of its investigations and studies out of the ordinary revenue of the commission;

(d) make reports and recommendations to the government of the province and the municipality.

(3) Any costs incurred by the commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the commission is collecting tolls, fees, rates and other charges.

Key Programs

In 2006, the commission made application to the Nova Scotia Utility and Review Board (NSUARB) seeking permission to

- change the method by which tolls are collected at the Macdonald and MacKay Bridges from the current system based on registered gross vehicle weight to a new system based on a vehicle's number of axles and tires
- remove the NSUARB requirement for a $30 deposit for each *MACPASS* transponder
- eliminate the use of bridge tokens as a payment method

Protecting the bridges is a responsibility that the commission takes very seriously. Operations will continue to work on initiatives targeted toward achieving improvements in safety, security and efficiency. This is the first year of a three-year $4-million investment program to enhance security on the bridges.

The commission adheres to the principle of strategic investment planning, which focuses resources on maintaining the Angus L. Macdonald and the A. Murray MacKay Bridges in a relatively superior condition through a proactive maintenance program. Extending the useful life of the bridges, increasing capacity, improving efficiency, and enhancing safety are primary objectives in the decision-making process.

In 2006, a health study of the MacKay Bridge was conducted by consulting engineers Buckland and Taylor. The study found the bridge to be in good condition and recommended maintenance projects related to the aging of the structure: (1) replacing the bearings at the main towers; and (2) realigning or replacing bearings on the approach spans. The commission has scheduled this work to be complete in 2007.

The top three maintenance programs in 2007 are (1) to complete painting the MacKay Bridge main cables and suspender ropes from deck level to 20 feet above the deck; (2) to realign or replace sliding bearings and shoes on the MacKay Bridge approach spans; and (3) to install catwalks on MacKay Bridge suspended span.

The Macdonald and MacKay Bridges rank among the most frequently used toll bridges in North America, on a per capita basis. In 1971, the first full year of operating two bridges, the combined vehicle crossings were 32,700 per day. That compares to 2006 at 88,800 per day, an increase of 270 per cent. In 2006, the Macdonald and MacKay Bridges will handle approximately 32.4 million vehicle crossings. Total revenue generated in 2006 is estimated at $25.8 million. Age and additional traffic volumes require ever-higher maintenance expenditures.

Converting token and cash users to *MACPASS* and expanding the capabilities of *MACPASS* are priorities of the commission. At the end of 2006, there were 83,000 active transponders on the system. The goal is to grow this to 95,000 by the end of 2007. This would mean about 1000 new transponders being placed in service each month. *MACPASS* will process approximately 16.3 million transactions in 2006 and by year-end will account for 50.4 per cent of the 32.4 million vehicle crossings on the Macdonald and MacKay Bridges. These changes provide the commission with new opportunities to increase the usage and the utility of the *MACPASS* system and to plan for future tolling efficiencies.

Trials aimed at improving traffic flow across the Macdonald Bridge by more efficient utilization of the centre lane proved very successful in 2006. The commission will continue in 2007 to manage the directional flow in the centre lane on a traffic demand basis.

The commission and the Halifax Port Authority (HPA) have been working together on a joint project to install a GPS-based system on the Macdonald and MacKay Bridges to measure in real time the air gap of these structures, since 2005[2]. Given the shipping industry trend toward larger containerships (post-Panamax container ships), the ability to accurately determine the air gap clearance of the bridges is important to the commission, in terms of ensuring public safety and the

2. Air gap is defined as the clearance measurement from the waterline of the harbour to the lowest point of a bridge's superstructure.

integrity of the bridges, and to HPA for its own long-term goals[3]. In 2006, the commission and HPA engaged X-Wave consultants to oversee the implementation of the Air Gap Integration project. X-Wave will complete the implementation in 2007. Our role is to provide the steering committee with project information and data. The project is scheduled for completion in 2007, but is not included in the Core Business Area section of this report.

In summary, the commission is committed to providing healthy transportation alternatives in a safe environment. Pedestrian traffic has a dedicated walkway, cyclists have a dedicated bike path, and motorists have exclusive use of the roadway. The sidewalk now has eight emergency help phones, and the bikeway has four emergency help phones. These facilities provide a safer, more efficient, and more aesthetically pleasing experience for all user groups. The commission is proud to work with the Blue Nose International Marathon and BridgeMile organizations in support of "get moving" activities for youth and adults.

Organizational Structure

The commission board has nine members: five members appointed by the Province of Nova Scotia, including the Chair and Vice Chair[4], and four members who are HRM Councillors, appointed by Halifax Regional Municipality. Within the board structure, standing committees deal specifically with Audit, Maintenance, Finance/ Administration/Planning, and Operations/ Public Relations/Marketing.

The commission employs 32 permanent administrative and maintenance staff and 47 members of the Canadian Corps of Commissionaires, on a contract basis. On a seasonal basis, the commission employs approximately 44 painters and 11 gardening staff.

Strengths

The commission's greatest strengths are its proven knowledge of the maintenance and operation of suspension bridges, its 50 plus years of experience in successfully performing these tasks, and its leadership position in the implementation and operation of electronic toll collection.

The commission is financially self-reliant and reports to the Minister of Finance for the Province of Nova Scotia. The Minister and Cabinet approve the commission's financing. As a self-funding user-pay operation, the commission receives no

3. On January 21, 2006, the OOCL Chicago post-Panamax container ship became the first vessel to use the Global Positioning System (GPS) sensor technology installed on the Macdonald and MacKay Bridges to safely transit Halifax Harbour.

4. In May 2005, The Halifax-Dartmouth Bridge Commission Act received Royal Ascent. This new legislation created a Vice Chair position and eliminated the former Board Secretary position.

assistance from tax dollars, and its loans are not guaranteed by any level of government. The Nova Scotia Utility and Review Board approves the commission's toll rates.

The commission continues to achieve financial stability and meet its obligations to bond holders. Its already strong bond ratings continue into 2007: AA low by Dominion Bond Rating Service Limited and A+ positive by the Standard & Poor's Rating Group.

The bridges are well maintained by the commission through strategic capital investments and a comprehensive maintenance plan that extends the life expectancy of the structures and ensures public safety.

MACPASS has facilitated the conversion of cash and token users to a more-efficient toll payment method. Benefits include faster transit times, ease of use/convenience for bridge patrons, and significantly reduced toll plaza congestion and idling times that benefit the environment. On average, *MACPASS* processes 85 per cent of the commission's commercial customers (Classes 2, 3, 4, and 5) and a weekly average of 49 per cent of the Class 1 transactions.

Importantly, *MACPASS* is the preferred payment method for the majority of Class 1 commuters. During 2006, Monday to Friday, electronic toll collection (*MACPASS*) accounted for 61 per cent of Class 1 transactions during the morning rush, 6 a.m. until 9 a.m. and 56 per cent of Class 1 transactions during the afternoon peak drive period, 3 p.m. until 6 p.m.[5]

The commission's Traffic Alert System quickly communicates conditions that may affect travel on the bridges to more than 1,900 subscribers—bridge users, stakeholders, and media—via e-mail and cellular telephone messaging. The media support the commission's efforts to communicate traffic conditions on the bridges and frequently relay the content of Traffic Alerts in their own travel advisories to the public. Modifications were made to the system is 2006 to improve its interface with users.

Weaknesses

As the Macdonald Bridge (52 years old) and the MacKay Bridge (37 years old) continue to age, maintenance costs and the effort required to keep them healthy will escalate significantly over the next several years.

From a structural perspective, the commission is unable to increase physical capacity because the bridges themselves cannot sustain more weight.

The bridges are approaching full capacity, based on current growth projections. The commission needs to replace its electronic toll collection systems.

5. Halifax-Dartmouth Bridge Commission traffic statistics for November 2006.

Opportunities

The commission remains focused on identifying potential growth opportunities within its core business areas. Under the Halifax-Dartmouth Bridge Commission Act, the commission is mandated to market its electronic toll collection system (*MACPASS*) to other toll-collection agencies in Atlantic Canada. The commission is always looking for opportunities for strategic partnerships.

With the recent changes pro tem (or approved by) by the NSUARB with respect to the elimination of tokens, the elimination of the deposit requirement on *MACPASS* and the conversion to axle-based tolling, the commission is focused on the promotion and utility of the *MACPASS* program. Electronic toll technology has proven to be effective in increasing throughput and thus capacity on the commission's toll plazas. With the increasing demands on our transportation network, the changes enable the commission to plan for further enhancements, such as the implementation of express lanes that could facilitate vehicles passing through the collection point while maintaining their roadway speed.

The ability to manipulate the direction that traffic flows in the centre lane of the Angus L. Macdonald Bridge gives the commission the ability to better utilize the bridge's capacity.

In 2007, the commission will complete Phase II of an air gap system that improves the commission's ability to monitor the Macdonald and MacKay Bridge structures.

Threats

Severe weather conditions, rising fuel costs, and a downturn in the economy can have a direct negative impact on traffic volumes on the bridges, with implications for the overall financial performance of the commission. This was evidenced in 2005 by January's snowstorms and autumn's high gasoline prices, which reduced the commission's total vehicle crossings for the year by an estimated 1.5 per cent[6].

The world was irrevocably changed on September 11, 2001, with respect to ensuring the safety of the public and public buildings/structures. The commission takes its responsibility very seriously in this regard, with enhanced security, bridge emergency phones, and increasing our insurance.

6. Halifax-Dartmouth Bridge commission traffic statistics for 2005 indicate a drop of 480,000 vehicle crossings attributable to the months of January, September, and October on 31.9 million crossings for the year.

Strategic Goals

In order to carry out its mission, the commission has defined the following goals as strategic:

1. Complete a needs assessment that allows the commission to more accurately develop statements of long-term cash requirements.
2. Develop a Directional Plan communication strategy.
3. Focus on strengthening the commission's relationships with major stakeholders including: Department of National Defence, Halifax Regional Municipality, and Halifax Port Authority and with major bridge customers, including those affected by the conversion to axle-based tolling and removal of tokens as dictated by the NSUARB.
4. Efficiently manage the directional flow of traffic in the centre lane of the Angus L. Macdonald Bridge on a traffic demand basis.
5. Complete development and implementation of the air gap measurement system to assist with the safe transit of large commercial ships underneath the bridges.

Core Business Areas

Safety and Emergency Preparedness

Goal—Maintaining public and employee safety through ongoing review and implementation of the commission's policies, operations, and initiatives.

The safety of the travelling public is protected through a number of ongoing programs and initiatives including but not limited to the following.

Members of the Corps of Commissionaires continuously monitor bridge traffic conditions through video surveillance and patrols. This enables them to respond promptly to incidents and issue the advisories to the public, stakeholders, and the media as required, in a timely manner. In April 2006, consolidating the duties for the Bridge Police resulted in the formation of two police teams, which patrol the bridges 16 hours per day (up from 8 hours per day in 2005).

Since 1997, the commission has utilized various speed-enforcement tools in an effort to improve safety. Between January and the end of November 2006, Bridge Police issued 622 tickets and 1,212 warnings for speeding violations on the bridges under the Nova Scotia Motor Vehicle Act and the Halifax-Dartmouth Bridge Commission By-laws.

The increase in traffic enforcement and police presence has contributed toward the slight drop in the quarterly accident statistics over this period.

In 2006, the Operations Manager participated in a joint HRM/DND emergency response exercise. The commission also held an in-house emergency exercise. Two automated external defibrillators (AEDs) were purchased and installed in the commission's emergency response vehicles for both the Macdonald and MacKay Bridges. All members of the Bridge Police Teams successfully completed additional training in the use of these potentially life-saving devices. In the second half of the year, eight emergency help telephones were installed on the sidewalk and four on the bikeway of the Macdonald Bridge. The emergency telephones are direct lines into the Macdonald Bridge Control Room and provide 24/7 immediate emergency assistance to anyone picking up the phone.

For the safety of bridge patrons, the decks of both bridges are equipped with ice-detection systems to help provide early warning of changing driving conditions. During winter months, the commission maintains 24-hour-a-day maintenance staffing that allows for prompt attention to ice and snow removal on the structures and approaches, as bridges develop ice quicker than other roadways.

Being appropriately prepared to handle emergency situations is the responsibility of all core business units. In 2006, commission staff participated in Emergency Response training exercises.

Maintenance

Goal—Maintaining the bridges and approaches in a relatively superior condition through a proactive maintenance program.

A detailed and attentive program is essential to maintaining the bridges in a relatively superior manner and ensuring the safety of the travelling public. The commission's maintenance programs and initiatives include, but are not limited to, the following.

The commission's staff and consulting engineers conduct ongoing monitoring and thorough annual inspections of the bridges and approaches to identify immediate and long-term requirements. These requirements are incorporated into the commission's maintenance schedule and capital improvements program.

Conserving the steel on the bridges is an ongoing priority. Every year since 1965, the commission has employed a seasonal painting force whose responsibility it is to examine the steel manually for areas of wear, to eradicate the rust from that location, and to apply protective coatings/paint. It requires 36 painters working from early May to early October each year for three years to complete one program cycle for both bridges.

For 2007, painting the main cables and suspender ropes on the MacKay Bridge, from deck level (roadway level) to 20 feet above deck level, is the number 1 priority of the painting program.

The wind bearings and sliding bearing shoes on the MacKay Bridge will be repaired and/or replaced in 2007. These sliding bearings allow the bridge to flex and move in response to heavy vehicles and winds. This is the first replacement of these in the bridge's 37-year history.

Efficient Transportation

Goal—Maintaining convenient and reliable passage by working with stakeholders to identify access and egress improvements, which will assist future capacity requirements.

Goal—Continuing to market electronic toll collection (MACPASS) in order to decrease traffic congestion and accommodate future traffic growth.

The strategic goal of efficient transportation is to utilize technology and traffic management tools to provide efficient toll collection, to reduce traffic congestion, and to accommodate future traffic growth. In recent years, great strides have been made to improve traffic flow on the bridges: the re-engineering of the Barrington Street Ramp, the third lane on the Macdonald Bridge, MACPASS, and the commission's Traffic Alert System[7]. The commission continues to focus on initiatives that provide effective results in efficient cross-harbour travel.

The replacement of the commission's *MACPASS* Toll Collection System in 2007 provides opportunities for the commission to look towards the future and increase efficiencies for traffic management and throughput volumes. The modular design and forward-thinking approach to this new implementation will significantly improve the commission's ability to carry out its mandate and take advantage of future regional electronic fare payment opportunities, such as parking.

The elimination of tokens, the change in vehicle classification methodologies, and the removal of the *MACPASS* deposit are important strategic changes that will allow the commission to increase the capabilities of the *MACPASS* program. With the anticipated changes in 2008, *MACPASS* usage is projected to grow with significant demand and thus provide future opportunities to increase the capacity of our toll plazas. These changes are necessary in order to provide our patrons with express lanes, which allow vehicles to pass the collection point at highway speeds. These enhancements will maximize vehicular throughput on the toll plazas and defer the

7. Traffic Alerts enable the commission to reach almost 1,000 subscribers—patrons, stakeholders, and media—via e-mail and cellular messaging alerting them to conditions that may affect traffic on the bridges. This service is provided to subscribers at www.MACPASS.com and www.hdbc.ns.ca.

requirement for additional cross-harbour capacity.

The commission is working with HRM on design improvements for the Halifax approaches to the MacKay Bridge with the intent of constructing the improvements in 2007.

Fiscal Management

Goal—Ensuring the commission's financial stability through efficient financial planning and management

Financial management and fiscal stability are achieved through various policies, programs, and initiatives including, but not limited to, the following.

The commission continually reviews, develops, and implements policies, plans, and a budgeting process to support annual operational and maintenance costs. The commission's system of internal controls is vital to its successful fiscal management.

Assessing risk and obtaining adequate and appropriate insurance coverage for the protection of its assets and revenue stream are fundamental to sound fiscal management. The commission works to ensure the most effective use of long-term borrowing and investment capabilities.

The commission's dedication to the maintenance of its assets and the effective collection of tolls for more than 32 million vehicles annually, significantly contributes to its sound financial position.

Priorities for 2007–2008

We are taking these priorities in support of the commission's core businesses.

Safety and Emergency Preparedness

The commission's safety priorities for 2007 are to

- carry out proactive speed enforcement
- plan and conduct on-site emergency exercise with the participation of emergency response agencies
- design and procure an Integrated Security System Phase 1
- develop signage to provide advance warning of bridge restrictions due to inclement weather, so affected patrons know to use an alternative route

Maintenance

The commission's maintenance priorities for 2007 are to

- install and evaluate horizontal netting between roadway and sidewalk/ bikeway on the suspended spans of the Macdonald Bridge, with a view to installing the netting for the length over Department of National Defence (DND) property

- install handrail extensions to increase the height to 9 feet over DND property
- complete painting of the main cables and suspender ropes of the MacKay Bridge from deck level to 20 feet above deck
- repair and replace bearings and shoes on the MacKay Bridge
- install catwalks on the MacKay Bridge suspended spans
- install cantilever supports for the MacKay Bridge main tower expansion

Efficient Transportation

The commission's efficient transportation priorities for 2007 are

- renewal of the *MACPASS* Toll Collection System and software
- planning, marketing, and public awareness regarding the implementation of new vehicle classification methodology, elimination of tokens, and removal of the *MACPASS* deposit
- increased utilization of the Macdonald Bridge centre lane
- implement with Halifax Regional Municipality access improvements for the Windsor/Robie/Barrington Street merge on the Halifax side of the MacKay Bridge

Fiscal Management

Through review, development, and implementation of policies, plans, and budgets, the commission will continue to

- effectively collect tolls, both electronically and mechanically (ongoing)
- restructure the commission's debt when the Toll Revenue Bonds Series 1 mature, in December 2007
- maintain the reliability of internal control systems(ongoing)
- meet obligations to bondholders
- meet capital project requirements (ongoing and strategic management control)
- manage the Operations and Maintenance budgets (ongoing)
- use the commission's cash flow for capital expenditures and for the reduction of debt)

Budget Context

From a fiscal management perspective, the commission continues to achieve financial stability and meet its obligations to bondholders. In 1997, the commission issued a $100-million Toll Revenue Bond Series 1 (maturing December 4, 2007) at an annual interest rate of 5.95 per cent. At the same time, a $30-million line of credit ($12 million outstanding) was arranged with the province. The Toll Revenue Bond Series 1 is secured by an assignment of the commission's revenues, and is not guaranteed by the Province of Nova Scotia. Dominion Bond Rating Service Limited rates these bonds as AA low; Standard & Poor's Ratings Group rates them as A+ positive.

	Actual 2005 ($,000)	**Forecast 2006 ($,000)**	**Estimate 2007 ($,000)**	**Estimate 2008 ($,000)**
Revenue				
Toll revenue	22,059	23,382	23,542	23,498
Other rate charges	102	144	144	144
Investment and sundry income				
Trust fund investments	1,572	1,918	1,582	—
Other	327	433	350	360
Total Revenue	25,060	25,877	25,618	24,002
Expenses				
Operating	4,446	4,350	4,982	4,616
Maintenance	3,958	3,029	4,052	4,278
Amortization of capital assets	4,256	4,588	5,195	5,600
Amortization of deferred transponder charges	65	27	65	—
Interest on long-term debt and Amortization of deferred financing costs	6,959	6,231	6,174	2,850
Total Expenses	19,677	18,225	20,468	17,344
Net Operating Income	5,383	7,652	5,150	6,658

Outcomes and Performance Measures

Core Business Area 1 *Safety and Emergency Preparedness*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Minimize the number of motor vehicle accidents and injuries (on the Macdonald and MacKay Bridges)	Annual statistics of accidents	Year 2003[7]: 2.6 accidents per 100,000 vehicle kilometres travelled (VKT) Year 2004: 1.2 accidents per 100,000 VKT Year 2005: 1.7 accidents per 100,000 VKT Year 2006: 1.6 accidents per 100,000 VKT	Reduce the number of accidents to Year 2004 level of 1.2 accidents per 100,000 VKT	Develop and implement performance standards
Compliance with posted speed limits (On the Macdonald and the MacKay Bridges)	Annual statistics of average speeds	Year 2003[8]: MacKay Bridge 78.4 km/h (posted speed limit 70 km/h) Macdonald Bridge: 62 km/h (posted speed limit 50 km/h) Year 2004: MacKay Bridge: 79.7 km/h (posted speed limit 70 km/h) Macdonald Bridge 63.6 km/h (posted speed limit 50 km/h) Year 2005: MacKay Bridge average speed 80.5[8] km/h (posted speed limit: 70 km/h) Macdonald Bridge average speed 64.23 km/h (posted speed limit: 50 km/h) Year 2006: MacKay Bridge average speed 79 km/h (posted speed 70 km/h) Macdonald Bridge Average speed 65 km/h (posted speed 50 km/h)	Reduced speed violations and average speeds: MacKay Bridge, 78 km/h; Macdonald Bridge, 58 km/h	Develop and implement traffic performance standards
Implement integrated security plan	Security procedures and measures implemented	Year 2005: Final report 100% completed Year 2006: Received and qualified expressions of interest for Phase 1 100% complete	Year 2007: Award procurement contract and implement Phase 1 100% complete	Implement project schedule

7. During 2003, the recording procedure for collisions was changed to reflect only collisions involving personal injury, vehicle damage, or harm to the commission's property. This measure more accurately reflects the number of collisions per 100,000 VKT

8. During 2003, the locations where statistics are gathered to provide speed survey data were changed to more accurately reflect areas of jurisdiction.

Core Business Area 1 *Safety and Emergency Preparedness*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Emergency response preparedness	Emergency exercises completed	Year 2005: On-site emergency exercise with participation of other emergency response agencies 100% complete	Year 2007: Planning and on-site emergency exercise 100% complete	Consult with the emergency response agencies and obtain their commitment to participate
		Year 2006: Emergency response exercise for commission staff 100% complete	Year 2008: Emergency exercise with the participation of the emergency response agencies 100% complete	Develop emergency scenario with all agencies Schedule exercise date

Core Business Area 2 *Maintenance*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Bridges maintained in a relatively superior condition	Engineer's annual inspection report Periodic thickness testing	Ongoing Painting Program (May to October) for both bridges; when the cycle is complete, the painters start back at the beginning	Continuous on a three-year cycle	Annual painting program
Cables maintained (minimal flaking and cracking of the main cable coating)	Engineer's annual inspection report	Painting of the main cables and suspender ropes (Macdonald Bridge): Year 2004: 10% complete Year 2005: 30% complete Year 2006: 100% complete	Painting of the MacKay Bridge main cables and suspender ropes: 2007: 30% complete 2008: 100%	Use of cable crawler, self-propelled boom and rental booms for painting and inspections Weekend closures of a single lane on the MacKay Bridge
Replacement and repair of sliding bearing and shoes on the MacKay Bridge	Engineer's annual inspection report	2006: 0% complete Design delayed by engineers waiting for completion of bridge health study	2007: 100% complete	Replacement of tower sliding bearings to be done during weekend closures/wind bearing replacement can be done without affecting traffic
Install and evaluate horizontal netting in Macdonald Bridge stiffening truss over Department of National Defence (DND) property	Trial evaluation Selection of preferred material		2007: 100% complete	Install in winter to evaluate effects of snow, ice, and plowing Dependent on number of snow falls
Install selected netting on Macdonald Bridge suspended spans over DND property	Final construction inspection report		2007: 100% complete	Access from sidewalk/bikeway Dependent on selection

Core Business Area 2 *Maintenance*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Install Macdonald Bridge handrail extensions to raise height to 9 feet over DND property	Final construction inspection report		2007: 100% complete	Close sidewalk or bikeway and schedule night or weekend lane closures
Install main tower expansion joint supports on the MacKay Bridge	Final construction inspection report		2007: 100% complete	Weekend lane closures Coordinate with lane closures for cable painting
Install catwalks on the MacKay Bridge suspended spans	Final construction inspection report		2007: 100% complete	Night and weekend material delivery

Core Business Area 3 *Efficient transportation*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Increase the efficiency of traffic flow by increasing throughput and reducing congestion	Total number of active transponders on the system and the annual percentage of *MACPASS* usage as at December 31 (annual percentage of *MACPASS* usage)	Number of transponders on the system (annual percentage of MACPASS usage) Year 2001: 36,027 (32.35%) Year 2002: 46,900 (39.07%) Year 2003: 55,972 (43.33%) Year 2004: 64,874 (47.13%) Year 2005: 73,809 (49.28 %) Year 2006: 83,000 (52.06%)	Year 2007: 95,000 (55%)	Increased distribution Protect brand reputation Provide excellence in customer service Ramp-up for elimination of $30 deposit on transponder (in 2008) Ramp-up for elimination of tokens (in 2008)
Better utilization of the Macdonald Bridge centre lane on a traffic demand basis	Reduced waiting times for patrons and increased customer satisfaction	Centre lane reversed successfully based upon established traffic demand criteria	Increased level of customer satisfaction	Develop procedures and technical ability Partner with HRM for coordinated approach (i.e., access and egress traffic light sequencing)
Renewal of *MACPASS* Toll Collection System and software	Completion of system integration test by Dec 15/07 Commissioning test of entire system (lane by lane and decommissioning of old system) by Jan 31/08 Full month-long system acceptance test by Feb 29 Start of 12-month warranty period Implement new axle-based classification structure and eliminate tokens on April 1, 2008	85% of budget spent by Dec 31 (95% completion) 90% of budget spent (97% completion) 95% of budget spent (100% of work complete) 100% of budget spent	100% acceptance of system integration testing 100% completion and acceptance of commissioning test 100% of system acceptance test	Top senior management priority, rigid project controls on a project completion basis, monthly reporting on costs and schedule to management and Board Same management priority

Core Business Area 3 *Efficient transportation*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Construct improvements to the Halifax approaches to the MacKay Bridge	Final construction inspection report		2007: 100% complete	Public relations to identify traffic disruptions Minimize work in or on the roadway shoulders during peak periods Schedule mainly for summer months
Advance warning signage	Ensure safety of travelling public during high winds/extreme weather by reducing vehicle speed and closure of the bridge(s)	2007: $400,000 budget 2004: 0 vehicle incident 2005: 1 vehicle incident 2006: 0 vehicle incident	2007 and beyond 0 vehicle incidents Speed drops from 70 km/h to 50 km/h Advanced notice of closure	To be completed before the end of 2007

Core Business Area 3 *Fiscal Management*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Restructure net debt	Continue accumulation of capital and sinking funds	Years 2000–2006: $5 million/year in each of these years	Year 2007: $3.8 million/year	Best governance regarding new long-term financing by management, board, and Dept of Finance and secure Ministerial approval
	Retain external consultant to review and recommend options	Complete report	March 15/07	At the same time, maintain
	Identify and select best option	Complete selection	Done by Dec 4/07	• the bridges in a relatively superior condition
			June 30/07	
	Ministerial approval	Certified approval from Minister	Sept 1/07	• efficiency of crossings
	Refinancing	Refinance $60 million of long term debt	Dec 4/07	• effective toll collection
				• good internal controls
				• effective budget management
				• good cash management.
Positive cash flow	The number of times the line of credit is utilized	Years 2000–2006: zero	Year 2007: zero	Sufficient funds to run business—preventing the use of bank line of credit
Meet obligations to bondholders	Continuance of positive bond ratings	Years 1997–2000: Bond ratings AA (low) and A+ Year 2006: Bond ratings AA (low) and A+ (positive)	Year 2007: Maintain baseline bond ratings AA (low) and A+ (positive)	Fulfil covenants of the trust indenture and meet interest payment requirements

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2007–2008

InNOVAcorp
Business Plan 2007–2008

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Mission

To fuel sustainable economic growth by enabling Nova Scotia–based knowledge companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

Nova Scotia's ability to compete—regionally and globally—is increasingly reliant on the success of Nova Scotia–based knowledge companies. These high-growth companies positively affect the province's prosperity more than any other sector of the economy.

Vision

InNOVAcorp strives to deliver the most effective technology commercialization practice in North America as it moves towards a bold vision of the desired state of the Nova Scotia Innovation Capital Markets by 2015.

InNOVAcorp's vision comes not from focusing on what is wrong. Rather,
it comes from playing a key role in creating "the winning conditions"
by focusing on "what it will take"
to move Nova Scotia's innovation
and capital markets forward.

2006–2007 Accomplishments

In February 2007, InNOVAcorp's High Performance Incubation (HPi)™ business model was formally recognized as a best-practice technology commercialization approach by the National Business Incubation Association (NBIA). Based in the United States, NBIA is the world's leading organization advancing business incubation and entrepreneurship, and represents over 1600 members from 40 countries. This recognition is another important step towards realizing our vision of becoming "the most effective technology commercialization practice in North America."

The HPi business model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment—designed to move at the speed of business to help high-growth Nova Scotia–based knowledge companies overcome traditional hurdles to business growth. The numbers show the HPi business model is working.

In 2006–2007, InNOVAcorp's mentoring services advanced the efforts of more than 106 Nova Scotia–based early-stage companies and 30 university research-level projects. At fiscal year-end, our incubation facilities topped 91 per cent occupancy. InNOVAcorp's annual client survey, conducted in February 2007, demonstrated that 91 per cent of clients are satisfied with InNOVAcorp's services and that 91 per cent would recommend our services.

Nova Scotia–based companies raised \$7–million in venture capital financing in 2004. In 2005, they raised \$17 million, and in 2006 that number further increased by more than 40 per cent to reach \$24 million. InNOVAcorp continues to play a key role in this "access to capital" turnaround. Through the management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture capitalist. Since the fund was recapitalized in 2003–2004, InNOVAcorp has approved and invested more than \$5.5 million in promising early-stage companies based in Nova Scotia. Over the last four years, the corporation helped attract more than \$20–million from angel and strategic investors, financial institutions, and other seed and venture capital funds. Ten million dollars of this investment capital originated outside Atlantic Canada.

For 2006–2007, InNOVAcorp is on track to successfully complete over 95 per cent of its organizational objectives, many of which were stretch goals. These objectives, which were set during the Q4 2005–2006 business planning period and outlined in last year's business plan, were designed to fuel sustainable economic growth.

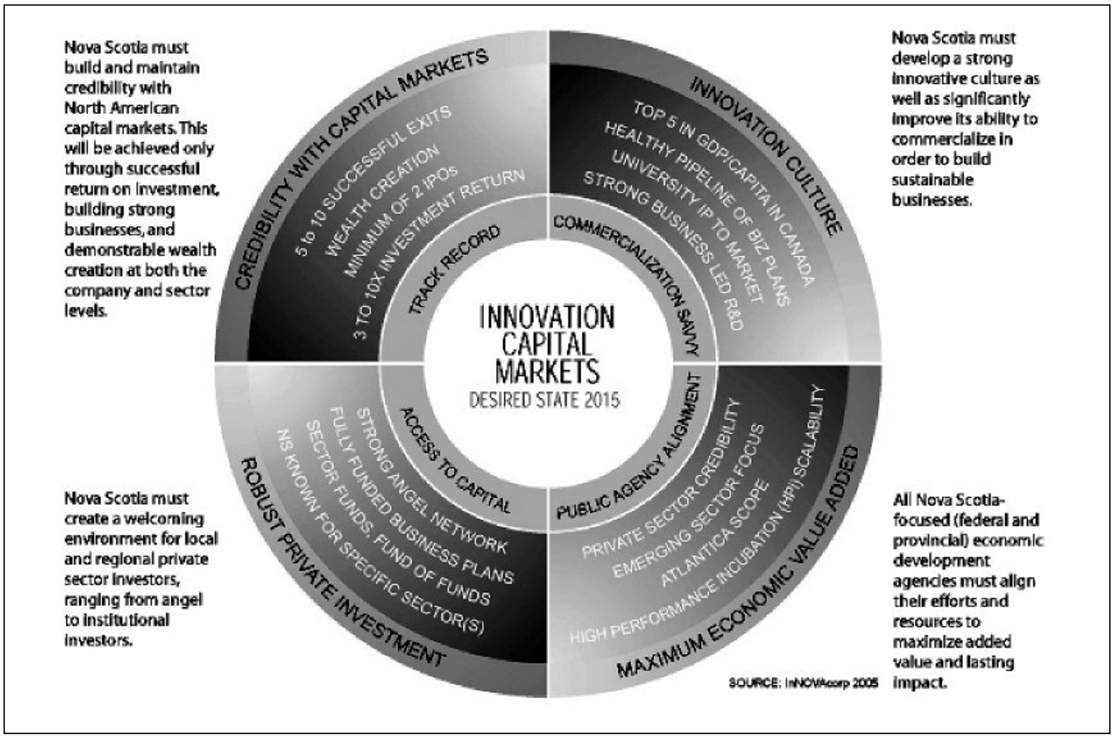
Beyond delivering on our organizational objectives, three achievements stand out because they clearly demonstrate the power and potential of InNOVAcorp's HPi business model.

1. The highly successful Canadian Association of Business Incubation (CABI) conference hosted by InNOVAcorp, which led to NBIA recognizing HPi as a best-practice technology commercialization approach
2. The I-3 technology start-up competition, which led to the discovery of seven new high potential companies based in Cape Breton
3. The \$4-million venture capital financing raised by our client Medusa Medical Technologies Inc., which demonstrated InNOVAcorp's ability to leverage its investment dollar, in this case at a ratio of 1:7

InNOVAcorp has a bold long-term vision for the desired state of the Nova Scotia Innovation Capital Markets by 2015, as depicted on page 49. Progress towards achieving this desired state was made in 2006–2007.

Credibility with Capital Markets

Nova Scotia must build and maintain credibility with North American capital markets. This will be achieved only through successful return on investment, building strong businesses, and demonstrable wealth creation at both the company and sector levels.



2006–2007 Progress in Capital Markets

- larger venture capital rounds occurring in region
- significant increase in venture capital investment in Nova Scotia–based companies, from $17 million in 2005 to $24 million in 2006

Robust Private Investment

Nova Scotia must create a welcoming environment for local and regional private-sector investors, ranging from angel to institutional investors.

2006–2007 Progress in Capital Markets

- increased awareness of First Angel Network
- "fully funded (fundable) business plan" thinking becoming pervasive

Innovation Culture

Nova Scotia must develop a strong innovative culture as well as significantly improve its ability to commercialize in order to build sustainable businesses.

2006–2007 Progress in Capital Markets

- pipeline of credible business plans has increased
- Early Stage Commercialization Fund has strengthened links with university and college research and entrepreneurial initiatives
- current state of industry-led R&D understood; incentives to increase

Maximum Economic Value Added

All Nova Scotia–focused (federal and provincial) economic development agencies must align their efforts and resources to maximize added value and lasting impact.

2006–2007 Progress in Capital Markets

- private sector engagement and collaboration flourishing
- numerous initiatives under way that are Atlantica in scope
- clean technology and aerospace and defence sectors being scoped
- HPi business model has been refined to enable scalability

While we are proud of our achievements, which we believe clearly illustrate the high value our clients obtain from our services, InNOVAcorp strives to continuously strengthen the value it adds to client companies and to the economy of Nova Scotia.

In 2007–2008, InNOVAcorp will further strengthen its products and services to fuel sustainable economic growth. We will achieve this in part by: enhancing and expanding HPi business model services, stimulating innovation in rural Nova Scotia, monetizing university research and entrepreneurial activities, maximizing the economic impact of the Nova Scotia First Fund, and ensuring continuity of the BioScience Enterprise Centre.

Planning Context

The rapid pace of globalization is both an opportunity for and a threat to Nova Scotia. Nova Scotia–based companies have every opportunity to compete for and serve global markets. At the same time, companies from literally around the world have that same opportunity.

Nova Scotia–based export-oriented companies must embrace new and emerging business models to compete globally. These new business models will continue to challenge companies to maximize their value add, diversify, and look for opportunities to differentiate their offering from the inevitable commoditization of virtually every product and service.

Nova Scotia's unemployment rate is the lowest it has been in decades. In certain high-growth areas such as information technology and life sciences, human capital is scarce and growing scarcer. To reverse this trend, Nova Scotia must do more to create an environment of challenging opportunities and welcoming communities to retain employees and repatriate those who would return to join established companies or build their own start-up opportunities in the province. To this end, through daily interaction with early-stage entrepreneurs, researchers, and high-growth potential companies, InNOVAcorp will use its High Performance Incubation (HPi)™ business model to continue to play a leadership role in sourcing the right talent with domain or management expertise to build and grow innovative business models in the knowledge-based sector of the economy.

The population and economic prosperity of rural Nova Scotia continue to decline as younger citizens migrate to urban centres within Nova Scotia and beyond. While this phenomenon has been occurring for generations, many feel that the pace of outward migration from Nova Scotia is at an all-time high. While many parts of Nova Scotia offer an excellent quality of life and relatively low-cost real estate, the lack of infrastructure, including access to broadband connectivity, professional services, and sustainable challenging career opportunities, fuels the pace of outward migration.

Among our most cherished assets are our universities and colleges. Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. Approximately $120 million in research is conducted at these institutions each year. While the local economy certainly benefits through the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from the applied research are relatively low. Over the past three years, both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The real-world “business building” component of university and college curriculum is lacking, and there are few formal ties between university research and the innovation capital markets. In this context, InNOVAcorp must increase its efforts by partnering further with entrepreneurs who are active within these post-secondary institutions.

Access to capital continues to be a much-discussed economic “issue.” While significant progress has been made, there is a long way to go. Nova Scotia–based companies raised $7 million in venture capital financing in 2004. In 2005, they raised $17 million, and in 2006 that number further increased by more than 40 per cent to reach $24 million (Source: *Thomson Financial*, 2007). InNOVAcorp continues to play a key role in this “access to capital” turnaround.

InNOVAcorp’s role will be critical in enabling innovative early-stage Nova Scotia companies to attract even more private investment and successfully enter global markets.

InNOVAcorp SWOT Analysis

In keeping with its culture of continuous improvement, InNOVAcorp first performed an objective SWOT analysis in the 2005–2006 fiscal year. That analysis has been updated for 2007–2008.

Strengths

Resources and/or capabilities that can be used as a basis to create value and/or competitive advantage

- collaborative culture, leveraged to maximize synergies between private and public sectors
- global commercialization expertise and industry contacts
- high level of client satisfaction
- highly relevant private sector ICT and life sciences business and technical expertise
- incubation infrastructure assets
- internationally recognized best practice HPi ™ business model
- investment fund liquidity
- organizational adaptability and continuous improvement culture
- state-of-the-art integrated voice and data network and services
- strong client referral network
- supportive network of professional services suppliers
- supportive, diversified, and balanced board of directors
- venture and seed capital investment expertise and credibility with national investment community

Weaknesses

Absence of specific required strengths

- awareness and impact of InNOVAcorp within rural Nova Scotia
- depth of state-of-the-art "go-to-market" strategies and techniques
- greater efficiency is required to proactively engage new clients given the increasing opportunity pipeline

Opportunities

New opportunities to add value, grow, become more efficient, etc.

- continually strengthen and renew the InNOVAcorp brand to increase opportunity pipeline
- continue to collaborate with private-sector financial and professional services firms to more effectively refer clients
- deliver advanced information technology services to resident and remote clients and affiliate members
- expand network of subject matter experts and mentors by establishing an independent advisory board that can be called upon to support clients
- further leverage online marketing to attract and pre-qualify new clients, as well as strengthen relationships with existing clients
- increase InNOVAcorp's role as a national/international advocate for Nova Scotia innovation

- leverage corporate and client buying power to deliver enhanced services and benefits
- maximize the leverage of the Nova Scotia First Fund
- partner with regional development agencies to extend reach in rural areas
- partner with universities to deliver/ strengthen entrepreneurial curriculum
- partner with universities to establish a targeted commercialization fund

Threats

Potential threats to the organization's ability to deliver on its charter that weaken core strengths or pre-empt the successful pursuit of opportunities

- relatively low level of management expertise/experience within client companies relative to what is required to build high-growth companies impedes commercialization
- low number of venture-grade opportunities results in out-of-region investors losing already modest interest in Atlantic Canada
- proposed future development plans for the Halifax waterfront could potentially displace the BioScience Enterprise Centre
- requirement for InNOVAcorp to continually step in to assist clients impacts HPi™ business model scalability
- relatively low level of industry-led R&D activities limits commercialization opportunities
- unplanned requirement for capital investment (e.g., to repair incubation infrastructure) causes InNOVAcorp to use operational funding

Link to Corporate Path

As a Crown corporation, InNOVAcorp's objectives and initiatives are designed within the context of fiscal responsibility and align with the following Government of Nova Scotia priorities:

Creating Winning Conditions

InNOVAcorp is all about "creating winning conditions."

Hand in hand with our clients and partners, we set out to create an environment in which high-potential early-stage companies become "fit for the fight," attract world-class employees, establish state-of-the-art go-to-market strategies, and take on global markets. We leverage our international network of advisors and investors to assist in raising seed and venture capital.

Seizing New Economic Opportunities

InNOVAcorp has built a strong information technology and life sciences practice. Both these critical sectors leverage information technology to reduce time to market and increase competitiveness. Information technology is absolutely key to building high-growth Nova Scotia–based companies.

InNOVAcorp clients conduct R&D to both enter and remain competitive in their chosen markets.

Building for Individuals, Families, and Communities

InNOVAcorp continues to work diligently to extend its reach across Nova Scotia. We are stimulating innovation in rural Nova Scotia and sparking the development of Nova Scotia–based companies.

InNOVAcorp continues to co-lead the "Broadband for Rural Nova Scotia" initiative, which will deliver both social and economic benefits. Further, broadband is an essential utility for any early-stage company to be able to grow and prosper.

InNOVAcorp continues to play a key role in the implementation of the province's economic strategy "Opportunities for Sustainable Prosperity 2006," which is designed to create "sustainable economic growth."

Financial capital, and more specifically "access to capital-capacity building," is a key element of InNOVAcorp's charter. Nova Scotia–based companies raised $7 million in venture capital financing in 2004. In 2005, they raised $17 million, and in 2006 that number further increased by more than 40 per cent to reach $24 million. InNOVAcorp continues to play a key role in this "access to capital" turnaround. Through the management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture capitalist. Since the fund was recapitalized in 2003–2004, InNOVAcorp has approved and invested more than $5.5 million in promising early-stage companies based in Nova Scotia. Over the last four years, the corporation helped attract more than $20 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. Ten million dollars of this investment capital originated outside Atlantic Canada.

In May 2007, Nova Scotia will host the annual Canadian Venture Capital Association (CVCA) conference. InNOVAcorp and other active seed and venture capital players intend to ensure that the attendees are left with a very positive impression of the opportunity to invest in Nova Scotia–based high-growth companies.

Built capital, and more specifically "broadband and wireless connectivity," is an initiative being co-led by InNOVAcorp to deliver 100 per cent broadband connectivity across the province by the end of 2009. Further, InNOVAcorp is implementing a fully integrated voice and data IP network infrastructure at its facilities to enable early-stage companies to access high-end IT infrastructure and therefore speed time to market and facilitate integrated communications/transactions with customers and suppliers.

Human capital, and more specifically building specific skill sets in the areas of "global go-to-market" strategies and knowledge among company senior management, is critical to helping Nova Scotia–based companies prosper. Further, InNOVAcorp continues to be deeply involved in initiatives designed to retain and retrain human resources in Nova Scotia and repatriate and recruit talent from outside the province.

Social capital—regional capacity, and more specifically "entrepreneurship and increased productivity through innovation," is in fact InNOVAcorp's mission: To fuel sustainable economic growth by enabling Nova Scotia–based knowledge companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

Strategic Goals

Two broad strategic goals drive InNOVAcorp's activities:

- to fuel sustainable economic growth by enabling Nova Scotia–based knowledge companies to accelerate the commercialization of their technologies and increase competitiveness in export markets
- to collaborate with private and public partners to build a dynamic high-growth entrepreneurial culture in Nova Scotia

Core Business Area

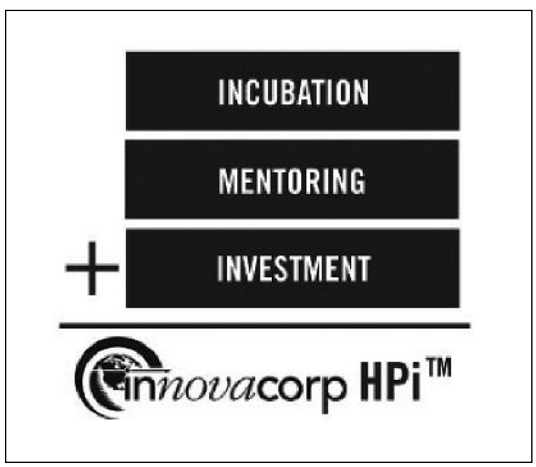
High Performance Incubation (HPi)™ Business Model

The High Performance Incubation (HPi)™ business model represents InNOVAcorp's core business offering.

Recognized internationally as a best practice approach to technology commercialization, HPi comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment—to help entrepreneurs overcome traditional hurdles to business growth.

InNOVAcorp focuses on high-potential opportunities that most closely meet the following criteria:

1. Nova Scotia–based early-stage company
2. business plan credibility, management experience, and entrepreneurial track record



3. unique proprietary technology (product, system, and/or service), with defendable intellectual property and/or a high barrier to competitive entry
4. large national/international addressable market
5. high probability of obtaining a fully funded business plan

Commercialization:
A sequence of strategic and tactical actions intended to achieve market entry and sustained competitiveness of new innovative technologies, products, and/or services.

Incubation

As an active member of both the Canadian Association of Business Incubators (CABI) and the National Business Incubation Association (NBIA), InNOVAcorp manages three incubation facilities:

- the Technology Innovation Centre in Dartmouth, which targets companies in the information technology (IT) and engineering industries
- the BioScience Enterprise Centre in downtown Halifax, which focuses on companies in the life sciences industry
- the grow-out facility at 101 Research Drive, Dartmouth (currently occupied by Ocean Nutrition Canada)

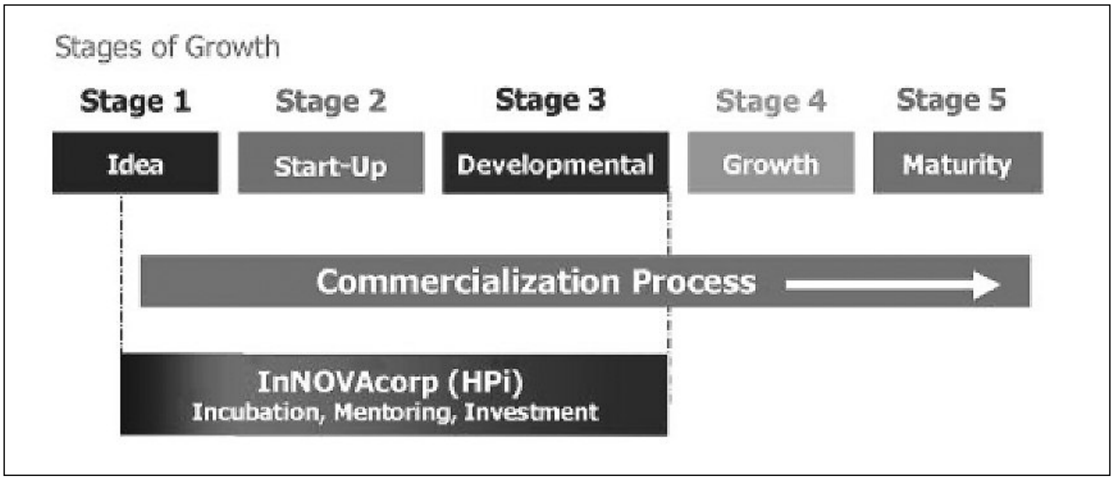
With an ideal blend of business services, professional development and networking opportunities, and relevant resources, these centres offer the infrastructure and environment that emerging technology companies need to grow.

Clients located across Nova Scotia, while not all physically located in our incubation facilities, can benefit from InNOVAcorp's business services and can be candidates for mentoring and investment.

In 2006–2007, InNOVAcorp completed Phase I of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada (ONC) micro-encapsulation facility. In 2007–2008, InNOVAcorp will continue to facilitate the development of the Mount Hope extension in Dartmouth. The completion of this valuable link will allow InNOVAcorp to recruit additional businesses to the Knowledge Park, maximizing cluster synergies.

Going forward, we will look to optimize the facilities managed by InNOVAcorp to provide a critical mass of incubation infrastructure and further extend our reach by expanding our affiliate incubator network.

Affiliate incubators are defined as Nova Scotia incubation facilities that are owned and/or managed by a third party and that meet InNOVAcorp best-practice criteria. InNOVAcorp incubation experts will provide start-up as well as ongoing management consulting. Further,



InNOVAcorp will develop an incubation community that has access to best practices, annual meetings, etc.

At the end of 2006–2007, InNOVAcorp's incubation facilities stood at 91 per cent occupancy. Since tenants typically "graduate" from the incubation facility as they progress through the third stage of the business development cycle, in 2007–2008 InNOVAcorp will strive to maintain occupancy of its incubation facilities at approximately 91 per cent, thus enabling the corporation to offer incubation services to new clients and allowing the tactical expansion of existing tenants.

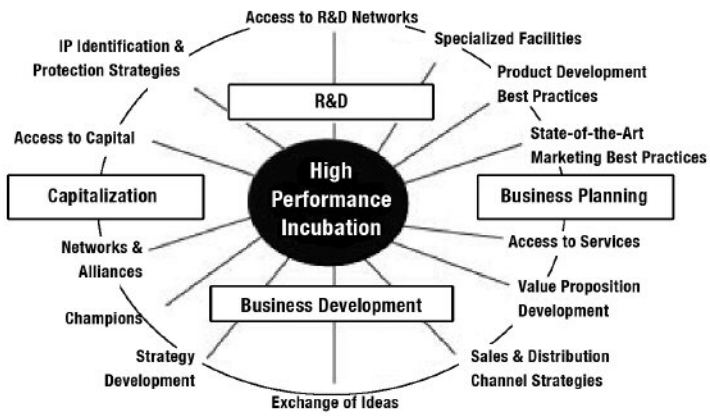
Mentoring

Through its business advisory services, InNOVAcorp offers high-potential early-stage technology businesses the hands-on support they need to grow. By leveraging InNOVAcorp's corporate knowledge base and our expanding network of private-sector advisors, our mentoring program helps clients find more direct and cost-effective paths to success.

InNOVAcorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Its comprehensive suite of services includes fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash-flow management, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, sales and distribution channel strategies, obtaining seed and venture capital, and human resource management strategies.

HPi Pipeline

In 2006–2007, InNOVAcorp provided advisory services and relationship management support to more than 106 Nova Scotia–based early-stage companies



and reviewed and advised 30 university research-level projects.

During 2006–2007, InNOVAcorp refined its approach to engaging new clients to achieve higher scalability. With this refined approach came the introduction of a client classification analysis, which was designed to efficiently identify high-potential clients as well as pinpoint business areas where clients need assistance.

To meet the needs of clients in 2007–2008, InNOVAcorp will continue to strengthen its "go-to-market" expertise in key sectors, such as information and communications technology (ICT) and life sciences, and actively monitor emerging sectors. InNOVAcorp will leverage newly created internal processes and tools to maximize efficiencies and strategically expand the in-house team, based on the support requirements of our clients. Business expertise in the community and abroad will continue to be accessed to efficiently and effectively build and maintain a robust external mentoring network.

Early Stage Commercialization Fund

In conjunction with the Office of Economic Development, InNOVAcorp will continue to manage the Early Stage Commercialization Fund (ESCF) to review, advise, and support the early-stage technology commercialization of the best post-secondary institution research.

Working closely with the province's Industry Liaison Offices, the purpose of ESCF is to provide funding and "go-to-market" support for projects demonstrating readiness to advance a technology that has achieved, or is close to achieving, a prototype/proof-of-concept stage and is approaching market-readiness with a possibility of attracting industrial partners and/or investment. The prospect of generating a new revenue stream must be apparent.

The objectives of ESCF are to

- promote and accelerate technology transfer activities in academic institutions in Nova Scotia

- provide the opportunity to assess the commercial potential of intellectual property
- narrow the gap that exists at the very beginning of the commercialization process to enable the projects to move closer to industry collaboration and/or technology spin-off

InNOVAcorp will also use its experience and expertise to positively influence post-secondary curriculum development in the areas of business planning and commercialization strategies. The corporation will continue to further post-secondary innovation programs by forging and maintaining mutually beneficial relationships with Nova Scotia's universities and colleges.

I-3—Idea, Innovation, Implementation
InNOVAcorp will continue to support rural innovation through co-management of the Nova Scotia Co-operative Council's Proof-of-Concept Fund and by working closely with the regional development authorities throughout the province.

Created and managed by InNOVAcorp, the first I-3 technology start-up competition, which targeted Cape Breton innovators, was launched on March 2, 2006. This initiative was designed to encourage and support Nova Scotia entrepreneurs. The competition generated more than 75 inquiries and 18 formal submissions. Entries came from across Cape Breton and ranged from medical devices, to information and communications technologies, to industrial and energy innovations.

In 2007–2008, InNOVAcorp plans to launch I-3 competitions that will involve additional regions of Nova Scotia, to support and foster the entrepreneurial spirit among business communities and encourage the formation of new technology start-up companies.

I-3 competitions will be held in several regions of the province, with the winning businesses awarded a combination of cash and in-kind contributions. Each region's judging panel will be made up of local public and private sector individuals, along with an InNOVAcorp representative.

The intent of the I-3 competition is that business plans developed for the initiative will be implemented. As such, the prizes awarded will be put towards implementation of the winning plan. Further, the goal is that the cash award will be used as leverage to attract additional potential funds that may be available through sources such as angel investors and/or federal government programs.

Scientific Research and Experimental Development (SR&ED) Assistance Program
In 2007–2008, InNOVAcorp will establish a SR&ED Technical Assistance Program. The program will contract several experienced third party corporate financial advisors to work with Nova Scotia-based SMEs to ensure companies are using best practices when filing for SR&ED tax credits, and also

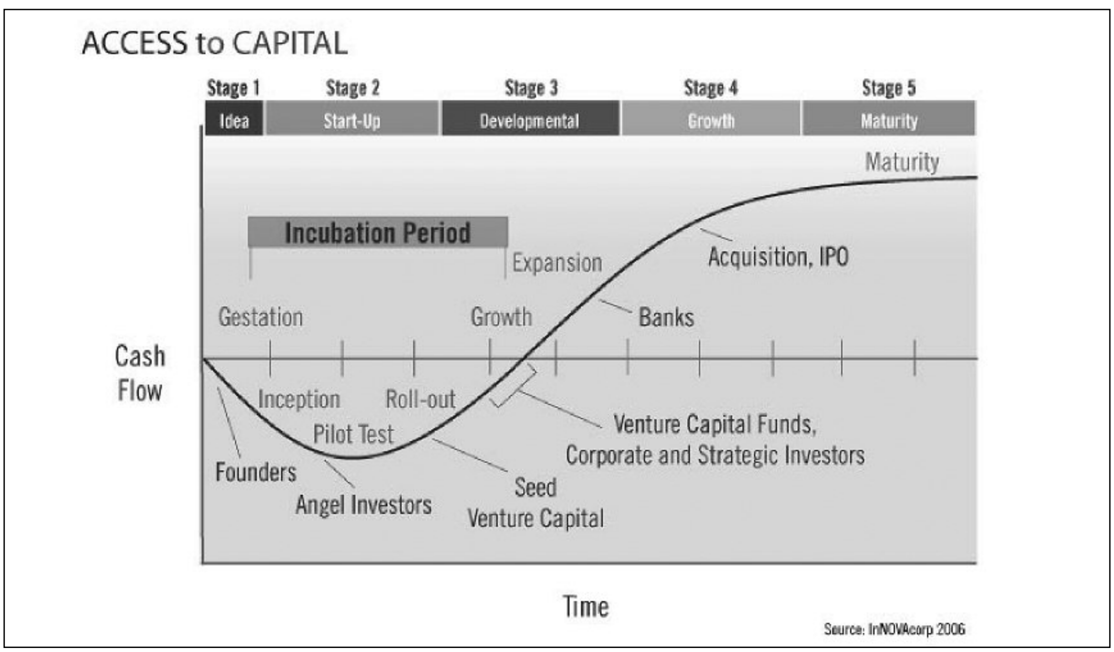
to encourage those who may be first time filers of the credits.

Investment

The Nova Scotia First Fund (NSFF) provides early-stage high-growth potential companies with timely venture investments of between $100,000 and $1 million. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy. Managed by InNOVAcorp, the fund has leveraged more than $92 million in risk and venture capital. Since its recapitalization in 2003–2004, the fund has leveraged more than $20 million of investment ($10 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early-stage high-growth companies.

The NSFF's positive impact on Nova Scotia's innovation capital markets is significant. As an active seed and venture capital player, InNOVAcorp has played an important part in significantly increasing the amount of capital invested in Nova Scotia high-growth companies. Nova Scotia–based companies raised $7 million in venture capital financing in 2004. In 2005, they raised $17 million, and in 2006 that number further increased by more than 40 per cent to reach $24 million. InNOVAcorp continues to play a key role in this "access to capital" turnaround.

InNOVAcorp will continue to actively seek investment opportunities that offer the best potential for commercial success and financial sustainability. To this end, the corporation will strive to align Nova Scotia's risk capital environment and



expectations with those of other jurisdictions, leading the way in capitalizing fully funded business plans, encouraging investment in stellar seed and growth stage venture-grade opportunities, securing private sector capital, and fostering conditions that position entrepreneurs for financing in future stages of company growth.

InNOVAcorp will foster an environment that will enable Nova Scotia to further gain and maintain private sector credibility in global early-stage and venture capital markets, and help create the necessary conditions for efficient private sector risk capital markets in Nova Scotia and Atlantic Canada.

Priorities for 2007–2008

In 2005–2006, InNOVAcorp re-emerged as the "go to" organization for technology commercialization. Through effectively scaling our services, and by increasing the value we bring to collaborations with academic institutions and the private and public sectors, in 2007–2008 InNOVAcorp will increase its positive impact on the Nova Scotia economy through five priorities:

1. Enhance and expand HPi™ business model services
2. I-3—stimulate innovation in rural Nova Scotia
3. Monetize university research and entrepreneurial activities
4. Maximize the economic impact of the Nova Scotia First Fund
5. Ensure continuity of the BioScience Enterprise Centre

1. Enhance and Expand HPi™ Business Model Services

Current State: The InNOVAcorp HPi business model is recognized as a best-practice technology commercialization approach. The model comprises three inter-woven resources—incubation infrastructure, business mentoring. and seed/venture capital investment. In order to maintain the client engagement quality of the current and anticipated 2007–2008 client pipeline, InNOVAcorp will focus on maximizing its value add while scaling up its recently refined HPi business model to fuel sustainable economic growth.

Desired State: Optimal scale achieved to maximize benefit for clients and return on investment for InNOVAcorp. The InNOVAcorp HPi business model is the most effective technology commercialization practice in North America.

1. Deliver advanced information technology services to resident clients and affiliate members.
2. Collaborate with private-sector financial and professional services firms to effectively refer clients.

3. Expand subject matter expert and mentoring network by establishing an independent advisory board that can be called upon to support clients.
4. Further leverage online marketing to attract and pre-qualify new clients, as well as strengthen relationships with existing clients.
5. Increase InNOVAcorp's role as a national/international advocate for Nova Scotia innovation.
6. Leverage corporate and client buying power to deliver enhanced services and benefits.
7. Partner with regional development agencies to extend reach in rural areas.

2. I-3—Stimulate Innovation in Rural Nova Scotia

Current State: With the exception of the urban portion of the Halifax Regional Municipality (HRM), the population and economic prosperity of Nova Scotia continues to decline as younger citizens migrate to urban centres within Nova Scotia and beyond. While this phenomenon has been occurring for generations, many feel that the pace of outward migration from Nova Scotia is at an all-time high. While many parts of Nova Scotia offer an excellent quality of life and relatively low-cost real estate, the lack of infrastructure, including access to broadband connectivity, professional services, and sustainable challenging career opportunities, fuels the pace of outward migration.

Desired State: Improve the economic prosperity of Nova Scotia and help turn the tide of outward migration by leveraging information technology and uncovering and supporting innovation to enable rural communities to participate in the global knowledge-based economy. Play a key role in developing one to three Nova Scotia–based knowledge companies in rural Nova Scotia.

1. Expand the I-3 technology start-up competition in other regions of Nova Scotia.
2. Continue to co-lead "Broadband for Rural Nova Scotia"—100 per cent coverage by 2009.
3. Maximize synergies between InNOVAcorp and rural-based business groups as well as economic development resources.
4. Further increase collaboration with the Nova Scotia Co-operative Council.
5. Manage the implementation of the Early Stage Commercialization Fund.
6. Enhance remote client service offerings.
7. Maximize collaboration with community college stakeholders in rural Nova Scotia.

3. Monetize University Research and Entrepreneurial Activities

Current State: Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. Approximately $120 million in research is conducted at these institutions each year. While the local economy certainly benefits through the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from the applied research are relatively low. Over the past three years, both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The real-world "business building" component of university and college curriculum is lacking, and there are few formal ties between university research and the innovation capital markets.

Desired State: Nova Scotia universities and colleges are known nationally for their innovative engagement of the business community, "business building" curriculum, and the flow of applied research towards commercial products.

1. Partner with universities to deliver/strengthen entrepreneurial curriculum.
2. Manage the implementation of the Early Stage Commercialization Fund, advancing technologies/business opportunities that are approaching market-readiness.
3. Partner with universities to establish a targeted commercialization seed capital venture fund.
4. Challenge MBA students to propose tailored solutions to InNOVAcorp clients in commercialization.
5. Maximize co-op and work term assignments with university students from rural Nova Scotia.

4. Maximize the Economic Impact of the NSFF

Current State: One of InNOVAcorp's key assets is the Nova Scotia First Fund (NSFF) combined with seed and venture capital investment expertise. The fund is being managed so that investee companies benefit from operational and financial due diligence and mentoring and are better prepared to approach other investors. Investments are designed to provide return on investment and cash-on-cash monetization on exits.

Desired State: The NSFF is managed in a manner that provides maximum benefit to the Nova Scotia economy and fully capitalizes on available operational expert advice. InNOVAcorp plays a key role in improving the capital markets of innovation in Nova Scotia. The NSFF is engaged with partner funds to increase the venture capital pool necessary to build and monetize competitively capitalized venture-grade opportunities.

1. Maximize leverage of the NSFF by actively supporting the creation of new-stage or sector-focused public/private venture capital funds.
2. Optimize leverage of the NSFF on a company-by-company basis.

3. Continue to build relationships to further broaden private and institutional syndicate pool.
4. Secure and increase size of funding commitments from private-sector and institutional venture capital investors.
5. Monetize university research by partnering with Dalhousie University and/or other universities to create a commercialization fund with multi-year follow-on investment capacity.

5. Ensure Continuity of the BioScience Enterprise Centre

Current State: The BioScience Enterprise Centre provides special facilities, infrastructure, and services that are critical to the growth and success of its resident life sciences clients. InNOVAcorp has successfully recruited new life sciences clients to achieve an 85 per cent occupancy in March 2007, while maintaining break-even operational funding status. Waterfront development plans require the BioScience Centre to relocate. Relocation scenarios are being considered and require long-term provincial funding commitments.

Desired State: Create a seamless, fundable, one-move transition into a new building that allows for expansion and minimum inconvenience for existing tenants.

1. Obtain approval to conduct negotiations to secure a new location for the BioScience Centre.
2. Co-develop detailed architectural plans.
3. Develop detailed client location transition plan.
4. Ensure that existing and new clients are comfortable with the go-forward strategy.
5. Continue to recruit high-potential life sciences companies to the BioScience Centre.
6. If required, extend the current BioScience Centre lease to ensure continuity between the existing and new locations.

Budget Context

Financial Management

InNOVAcorp is strongly committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia and partner agencies to strategically leverage its assets in support of economic development initiatives.

	2006–07 ($) Estimate	2006–07 ($) Forecast	2007–08 ($) Estimate
Revenues and Grants			
Operating and Capital Funding	3,057,000	3,057,000	5,057,000
Provincial Funding re Knowledge Park Development		334,000	600,000
NS Funding Recognized (deferred) re capital assets acquired	334,000	232,000	(172,000)
Mentoring	229,000	234,000	63,000
Incubation	1,690,000	1,657,000	1,716,000
Product Engineering	341,000	272,000	237,000
Software Sales and Services		374,000	400,000
	5,651,000	6,160,000	7,901,000
Expenses			
Mentoring	648,000	719,000	1,947,000
Incubation	1,606,000	1,654,000	1,676,000
Investment	406,000	426,000	483,000
Product Engineering	323,000	257,000	222,000
Software Sales and Services		374,000	400,000
Corporate Services	1,637,000	1,716,000	1,814,000
	4,620,000	5,146,000	6,542,000
EBITDA			
Provincial Funding	3,057,000	3,057,000	5,057,000
Provincial Funding re Knowledge Park Development		334,000	600,000
NS Funding Recognized (deferred) re capital assets acquired	334,000	232,000	(172,000)
Mentoring	(419,000)	(485,000)	(1,884,000)
Incubation	84,000	3,000	40,000
Investment	(406,000)	(426,000)	(483,000)
Product Engineering	18,000	15,000	15,000
Software Sales and Services	—	—	—
Corporate Services	(1,637,000)	(1,716,000)	(1,814,000)
EBITDA	1,031,000	1,014,000	1,359,000

	2006–07 ($) Estimate	2006–07 ($) Forecast	2007–08 ($) Estimate
Non-Operating Items			
NSFF Total Return	(650,000)	(722,000)	(551,000)
Post Retirement Benefits and Long Service Award	(217,000)	(212,000)	(231,000)
Amortization	(807,000)	(774,000)	(782,000)
Interest income (expense) dividends & capital gains (losses)	(114,000)	(111,000)	(70,000)
Discontinued Operations			
Unusual Item	482,000	530,000	—
	(1,306,000)	(1,289,000)	(1,634,000)
	(275,000)	(275,000)	(275,000)

Outcomes and Performance Measures

This section outlines the performance measures InNOVAcorp will track in 2007–2008. Using 2005–2006 as a baseline, these economic impact, client satisfaction, and leading indicator metrics will provide an indication of how well the strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled Priorities for 2006–2007.

Measure	Base Year 2005–06	Forecast 2006–07	Target 2007–08
Economic Impact Metrics			
Revenue generated by client companies:			
While most of InNOVAcorp's clients are early-stage companies, this measure tracks the annual revenue, measured in millions of Canadian dollars, generated by current and graduate client companies.	$120M	$174M	$200M
Employment generated by client companies:			
This measure tracks the annual employment generated by current and graduate client companies.	860	1183	1300
Total employment payroll of current and graduate client companies.	$40M	$52M	$60M
Amount of Nova Scotia First Fund (NSFF) leveraged investments:			
From February 1996, the cumulative amount of investment made in client companies in which investments were made by the NSFF, measured both in ratio and in millions of Canadian dollars. InNOVAcorp's stated goal is to achieve a ratio of 1:3, meaning that for every $1 invested by the NSFF, $3 would be invested by syndicated investors.	$83.8M	$93.0M	$100.0M

Measure	Base Year 2005–06	Forecast 2006–07	Target 2007–08
Client Satisfaction Metrics			
Percentage of clients satisfied with InNOVAcorp services overall:			
Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked to rate their overall satisfaction with the services provided by InNOVAcorp. This metric is considered a key indicator of InNOVAcorp's value add.	89%	91%	91%
Percentage of clients that would recommend InNOVAcorp to a business colleague:			
Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked whether they would recommend the services of InNOVAcorp to a friend or colleague. This metric is considered a key indicator of InNOVAcorp's value add.	90%	91%	91%

Measure	Base Year 2005–06	Forecast 2006–07	Target 2007–08
Leading Indicator Metrics			
Number of engagements with Nova Scotia–based companies	85	106	116
Number of new clients	12	15	18
Number of active HPi™ clients	30	38	45
Incubation occupancy levels	85%	91%	91%
Number of clients exporting products/services internationally	42	47	52

* The metrics provided are based on information and estimates gathered from InNOVAcorp client companies.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Business Incorporated
Business Plan 2007–2008

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Mission

To deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

Link to the Corporate Path

Nova Scotia Business Inc. (NSBI) is a private-sector–led agency with a mandate to help existing businesses in Nova Scotia to grow and expand and to attract new investment to the province.

Over the first five years of its existence, NSBI has prided itself on creating a healthy return on investment for Nova Scotia taxpayers by investing wisely in businesses that are export and growth oriented, innovative, and sustainable. This approach is consistent with the provincial Corporate Path. In particular, it supports the priorities of “creating winning conditions” and “seizing new economic opportunities.”

Business development activities of the organization are driven by the following five strategic goals:

- Enable new and existing businesses in Nova Scotia to exploit business opportunities in local and export markets.
- Attract leading-edge, sustainable business investment to Nova Scotia that will provide immediate and long-term economic benefits to the province.
- Provide access to capital for new/existing businesses in Nova Scotia, to enhance value-added growth for the province’s economy.
- Increase the visibility and recognition of Nova Scotia—its business climate, advantages, and capabilities—at home and abroad.
- Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance, entrepreneurial thinking, and professionalism.

During 2007–2008, the organization will release its next five-year strategic plan, which will cover the 2007–2012 time frame. This strategy will build on the accomplishments achieved over the past five years and provide the direction for continued business growth in the province for the coming years.

Planning Context

The overall planning context is heavily influenced by globalization and its associated impacts. Key issues shaping the planning context for 2007–2008 include the following:

- labour force challenges—the hunt for skilled labour is a global issue
- exchange rate vis-à-vis the U.S. dollar and the impact on exporters
- energy and commodity prices that impact the goods-producing sector
- transportation infrastructure
- business climate, including taxation and regulation
- alignment internally and among partners to successfully support the growth of businesses across the province

Economic Update

The United States remains the world's bellwether economy. Fears of slowing economic activity and a rapid cooling-off of housing prices in the U.S. are identified as the main threats to global growth prospects in 2007. The prevailing sense is that the U.S. economy is heading for a soft landing, so a major slowdown, particularly in Europe, should be averted.

All said, the world economy performed reasonably well in 2006 and should continue to do so in 2007. The International Monetary Fund estimates global growth of just shy of 5 per cent for 2007. Hot spots are expected to be China, India, Russia, and other developing economies, particularly in Southeast Asia.

The Canadian economy is a well-documented study in contrasts—Alberta and the rest of the country. Alberta is riding the crest of an energy-fuelled economy that is drawing skilled and unskilled labour from every other part of Canada. This trend is expected to continue at least for as long as energy prices remain strong.

The Nova Scotia economy turned in an estimated 2 per cent GDP growth in 2006, following a tepid 1.1 per cent performance last year. The bright spots in Nova Scotia's economy continue to be strong consumer spending and surprisingly robust housing starts. Recent building permits data (to the end of October 2006) point to continued strong performance in the construction sector. Export performance took a bit of a kicking this year, down a little more than 11 per cent in value from 2005 (January to November). The Stora shutdown and lower natural gas production were the primary factors behind lagging exports in 2006. The slowdown in the U.S. housing market also had a direct impact on the Nova Scotia economy this past year, as there was a reduced need for softwood lumber.

Nova Scotia labour market performance has not been particularly strong since the middle of 2004. Overall employment growth has been generally flat and reductions in the unemployment rate have been partly due to a decrease in the labour force size. That said, the December 2006 labour force data showed positives, including a seasonally adjusted unemployment rate of 7.3 per cent, one of the lowest rates in the past 30 years.

The outlook for the Nova Scotia economy next year calls for GDP to grow by slightly more than 2 per cent. Positives in the forecast will again be relatively strong consumer spending and construction activity. The goods-producing sector will continue to be challenged. This will weigh disproportionately on our rural economy.

Competition for Foreign Direct Investment (FDI)

NSBI understands that for the province to prosper, new money must be brought into the economy. This occurs by exporting goods and services from Nova Scotia–based businesses and by attracting foreign direct investment (FDI) to the province that is export focused. FDI also benefits Nova Scotians through investments in technology, increased productivity, greater exports, employment opportunities, and increased tax revenues.

With emerging markets like India, China, and Brazil actively seeking to attract FDI as a means to grow their respective economies, the global competition for FDI remains extremely competitive. For example, a recent United Nations report stated that total global FDI inflows in 2005 increased 29 per cent over 2004 to a total value of US$916 billion.

Closer to home, there are approximately 2,000 investment attraction agencies across North America, each of which is focused on increasing the level of FDI to its respective jurisdiction. In such a competitive environment, it is important for a jurisdiction to understand its strengths in an effort to target the desired types of FDI. With this in mind, NSBI remains committed to attracting businesses to the province that can take advantage of the province's key assets: namely, its highly skilled and educated labour pool, cost competitiveness, market access and security, and world-class R&D facilities.

Owing to the competitive nature of attracting FDI, incentives remain a key part of investment attraction in all North American jurisdictions. Land, grants, forgivable loans, tax holidays, and new infrastructure like highways and buildings are common types of incentives. NSBI's experience is that incentives do not "make a deal," but are important once a jurisdiction has been short-listed for a potential expansion. In this situation, a potential project would be negatively impacted if an incentive package was not available, as companies view incentives as an indication that a jurisdiction is willing to partner with them.

Core Business Areas

NSBI is the business development agency for the province and, as such, is the first point of contact for Nova Scotia businesses looking to grow and stay competitive in the global marketplace. NSBI also works with growth-oriented companies outside of Nova Scotia that are looking for a place to relocate or expand their business.

Business Attraction

Increasing foreign direct investment (FDI) in Nova Scotia, by bringing sustainable, export-oriented, and value-added businesses and/or investment from other jurisdictions to the province, is the main objective of business attraction. To accomplish this, NSBI takes a targeted and aggressive approach to attract to the province businesses that have a strong "fit" with Nova Scotia's assets, thereby providing for long-term sustainability.

NSBI is the first point of contact for companies considering Nova Scotia as an option for relocation and expansion of their business. In this capacity, NSBI proactively promotes the competitive advantages of doing business from Nova Scotia and works closely with partner organizations to provide a seamless delivery mechanism to prospective clients.

Business Growth

NSBI helps existing businesses in Nova Scotia to grow and expand and is focused on the small to medium-size businesses across the province that are concentrating on sustainable growth. Customized, client-focused solutions are offered in three main areas: trade development, business advisory, and financial services.

NSBI's approach to trade development is designed to help small to medium-sized Nova Scotia companies increase sales revenues in markets outside of the province. Programs and services are designed to promote to Nova Scotia businesses the benefits of exporting; to provide information on new markets and growth opportunities; and to help exporters find qualified buyers, distributors, and partners in export markets.

Business advisory team members are located in six offices across the province. Their approach to business development is to proactively visit companies in order to identify business growth opportunities and to facilitate the growth of these companies. They also work closely with partner agencies in each region to meet the needs of businesses.

NSBI's financing solutions range from loans to equity financing and are intended to help to fill financing gaps in the marketplace. They are often done in partnership with other financial institutions.

Strategy and Priority Areas

During 2007–2008, NSBI will prepare and release the organization's next five-year strategic plan, which will guide the organization through the 2012 timeframe. As part of preparing the plan, consultations are under way with partner agencies, organizations, and businesses, with the objective of understanding the key business challenges and opportunities that are currently affecting or are expected to impact the province in the future.

Increased exports from the province remain the common thread across all NSBI business units. This includes, for example, the trade development team assisting companies in reaching new markets, the financial services team financing businesses to help in their growth plans, the business advisory team advising clients in an effort to help them grow and expand through new export markets, and the investment attraction team bringing export-focused companies to the province. This export-focused approach is consistent with the province's new economic development strategy—Opportunities for Sustainable Prosperity—and is driven by a "new cash into the province" approach. This focus remains in place for 2007–2008. In addition, a further key theme for 2007–2008 includes the continued alignment of NSBI's business units in an effort to meet client needs more effectively. NSBI will also continue to take a more holistic approach to understanding the total financial return that NSBI's activities, and activities of its clients, have on the province.

Talent and technology are increasingly becoming part of the Nova Scotia value proposition as the province competes globally for business. As such, NSBI has put significant effort into understanding our strengths in these areas, as well as understanding where we can further fortify our gains. Since NSBI's inception, the organization has targeted the IT sector, believing that this and other knowledge-based industries will be key drivers of the new global economy.

In order to realize the benefits of technology fully, NSBI also recognizes the need to make strategic investments in the skills, infrastructure, and business climate tools that will further differentiate Nova Scotia from its competitors in these areas. In this regard, NSBI has been working very closely with the Departments of Economic Development and Education, InNOVAcorp, and Treasury and Policy Board to articulate a plan of action focused on making Nova Scotia a leading IT jurisdiction in Canada.

Specific priorities for each of NSBI's client-facing business units are detailed below.

Business Attraction

Strategic Sectors

Over the past three years, the NSBI Business Attraction team has successfully focused on establishing the province as a nearshore destination for companies looking to establish a cost-competitive North American operation. Initially, success occurred with the contact centre industry. This was followed quickly by the IT sector, and in 2006–2007, the province successfully established itself as an international destination for financial services companies. In the coming year, NSBI will continue to pursue nearshore opportunities in targeted sectors. For example, in financial services, NSBI will continue to pursue opportunities that build on recent successes. Bermuda and the Caribbean remain targeted geographic areas.

In IT, NSBI will continue to take a targeted approach, focusing on attracting research and development components of companies to mesh with the province's strong academic community. In addition, in 2006–2007, NSBI worked closely with partners and industry players to develop and implement an IT labour program to ensure a skilled labour pool exists to continue to build the sector in the province. This included a high school component, intended to educate high school students on the career opportunities that exist in IT, and a web-based job portal targeted at expatriates to assist them in understanding the current IT positions available in the province.

The federal government's commitment to defence and aerospace has made this an important growth sector for the province, particularly given that 40 per cent of the military's assets are stationed in Nova Scotia. NSBI will continue to work with major defence contractors to leverage these expenditures and increase the level of their investment in the province.

Nova Scotia as the Atlantic Gateway to the North American market is an opportunity that continues to gain considerable traction. NSBI is committed to helping make the province a major thoroughfare for Asian shipping traffic to reach the North American market via the Suez Canal. Over the coming year, NSBI will stay close to the Gateway Initiative, in an effort to better understand the investment attraction opportunities that will come as a result of this significant opportunity.

The life sciences industry has undertaken a review of its strategic assets and activity in this sector. NSBI will continue to remain close to the sector in an effort to understand how to best approach the sector from an investment attraction perspective. In energy, NSBI has worked for four years as the province's project manager for the proposed Bear Head LNG facility and will continue in this capacity for 2007–2008.

For contact centres, NSBI's approach remains the same. The organization will continue to work with small to medium-size contact centres that have a willingness to be in rural locations. In addition, NSBI will continue its retention and growth strategy to create incremental payroll from businesses that have already committed to the province; for example, more higher-level work such as business process outsourcing (BPO).

In 2006–2007, the NSBI investment attraction team broadened its geographic focus from the traditional targeted markets of Canada and the U.S. to include an investigation of the European and Asian markets. This market diversification is expected to take on greater prominence in 2007–2008.

While NSBI's plan has always been to take a targeted approach to investment attraction, the organization will also continue to be opportunistic. Investment prospects with a strong ROI and that represent a potential substantive benefit to Nova Scotia will be actively pursued.

Strategic Investment Funds

Strategic investment funds (SIFs) are an innovative financing tool used to attract businesses and foreign direct investment to the province and to retain existing Nova Scotia–based businesses. All proposed SIFs projects are evaluated rigorously to ensure that a positive return on investment (ROI) to the province can be demonstrated and that there is incremental job creation (i.e., new jobs). By taking this approach, NSBI is able to demonstrate strong accountability to the taxpayers of the province and at the same time provide flexibility to meet each client's unique business needs.

The payroll rebate is the primary financing tool available under the SIF. It is a performance-based incentive vehicle, by which a percentage of the new payroll generated by a project is rebated to a company. The money—rebated from taxes paid by the company's new employees in Nova Scotia—is disbursed after pre-determined milestones are met (e.g., new jobs created) over a defined period of time (e.g., five years). Additional details on the payroll rebate can be found in Appendix 1.

In 2006–2007, NSBI gave greater consideration to projects that fit existing payroll rebate eligibility requirements, but that did not necessarily meet the minimum 50 FTE (full-time equivalent) job creation guideline. This approach will be expanded for 2007–2008, as the minimum job creation threshold will be revised to 20 FTEs. This adjustment will better support business growth in areas of the province where the labour pool is smaller and business demands are different than in larger centres.

For 2007–2008, two innovative tools under the SIF will be introduced. The first is a recommendation of the joint action group tasked with developing an action plan to make Nova Scotia a leading IT jurisdiction in Canada. The Technology and Innovation Fund is intended to help strengthen, expand, and diversify the economic base of Nova Scotia. The primary focus of this fund is to assist existing Nova Scotia–based operations make key investments to support the expansion and creation of new business opportunities. A second objective would be to assist in attracting new knowledge-intensive industries and companies to Nova Scotia. The fund is designed to assist export-oriented companies improve their productivity through new investments in applications and technologies, specialized training and training capacity, machinery and equipment, and certifications and process improvements. Additional details can be found in Appendix 2.

The Interest Rebate will also be introduced; it is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to financial services clients below NSBI's cost of borrowing. Further details can be found in Appendix 3.

Business Growth

NSBI's business growth team is made of professionals who seek to support export-led business growth from existing Nova Scotia–based companies—regardless of business size or location. Customized, client-focused solutions are offered in three key areas: trade development, business advisory, and financial services. The NSBI business growth team offers services that range from early-stage client identification and project management to export plan development and growth financing.

Business Advisory Services

NSBI's business advisory team is located in six offices across Nova Scotia and is the front line for much of NSBI's interaction with Nova Scotia companies. They work in tandem with NSBI's financial services and trade development teams to meet jointly client needs.

The Nova Scotia Association of Regional Development Authorities is currently piloting a provincial Business Retention and Expansion (BRE) initiative. NSBI has been a partner in this initiative, in addition to providing hands-on guidance throughout the piloting stage. For 2007–2008, the business advisory team will continue to partner with the BRE initiative via local action teams (LATs), which are made up of regional partner agencies. NSBI will also continue to provide assistance to the new BRE initiative while working with them through LAT meetings and encouraging these groups to refer appropriate business opportunities to NSBI for further investigation. The team also intends to increasingly work more in a one-on-one project management context with individual companies to assist them in reaching their growth potential.

For 2007–2008, the business advisory team will continue to cement their working relationships with NSBI's other client-facing business units. This will be done in an effort to continue to create a more cohesive and client-focused organization. In this regard, the team intends to initiate a monitoring system for their time invested in client, corporate, and collaborative business development projects as a form of measurement of the value they add.

Trade Development

Opportunities for Sustainable Prosperity 2006, the province's economic development strategy, strongly endorses the case for trade and the need for Nova Scotia to look to markets outside its borders. It concludes that our future prosperity is inexorably linked to our ability to bring external dollars into our economy and it underscores the vital importance of international trade as a principal means to accomplish this.

NSBI trade development works within a collaborative environment of other agencies and organizations that share the common goals of increasing the value of our exports and expanding the base of Nova Scotia companies that are actively exporting. These organizations collectively deliver a broad range of trade development services to businesses of all sizes, sectors, and exporting capabilities. NSBI fulfils an important coordinating function within this diverse group and also administers its own set of programs that are specifically directed at helping Nova Scotia exporters find and close new business in export markets.

Activities and Results

In 2006–2007, NSBI trade development continued to focus on initiatives that took on the sometimes difficult task of "cold calling" to put Nova Scotia companies face to face with qualified buyers, partners, or distributors in foreign markets. Our flagship trade missions were all based on intensive, professional business prospecting guided by the individual requirements of each participant. Our trade mission destination markets were selected to offer Nova Scotia companies a variety of strategic alternatives, but with a greater emphasis this past year on diversification opportunities in western Europe and the Caribbean.

NSBI's Export Prospector Program was also offered to companies with unique market or timing needs. And, over the past year, NSBI's team of trade development executives also led groups of Nova Scotia companies to several major international trade shows. The Service Export Program, delivered by NSBI and funded by the Department of Economic Development, supported a record number of applicants in their efforts to finalize projects in many far-flung parts of the world.

Overall, the companies participating in these trade development programs in 2005–2006 are reporting incremental sales that will exceed $50 million. Many of them are also reporting that they were first-time exporters or have found market-based partners, agents, or distributors. And, close to 100 have confirmed they have either penetrated a new market or are further advanced in an existing market.

Collaboration
NSBI recognizes that partnerships and collaboration are vital to the efficient delivery of trade services, particularly in an environment of shared responsibilities and limited resources.

The release of the provincial Trade Strategy, Going Global, Staying Local, in late 2006 was a significant milestone in the Nova Scotia trade development landscape. It set specific objectives and put practical plans in place to increase Nova Scotia's global competitiveness. NSBI was pleased to support the development of this comprehensive document over the past three years and will play a significant role in its deployment, both as the delivery agent for its programs and as coordinator of the Provincial Trade Committee, which is charged with implementing many of its provisions.

NSBI is co-chair of Trade Team Nova Scotia (TTNS), the principal coordinating mechanism for trade activities among partner organizations at all levels in the province. TTNS expanded its membership in 2006, retained a secretariat to help manage its activities, and embarked on an outreach program to promote its key message of simple access to trade support through a single point of contact. NSBI enthusiastically endorses the trade team's collaborative approach and will be a full participant in TTNS activities throughout the province in 2007–2008.

The $10-million, pan-Atlantic International Business Development Agreement (IBDA), with Nova Scotia funding supplied by DED, is in full operation. It is an important and effective vehicle for implementing a variety of trade development projects, many of which would not be otherwise possible. NSBI represents the province on the agreement's Management Committee and oversees the development, approval, and delivery of all IBDA projects, the vast majority of which will benefit Nova Scotia exporters.

The Team Canada Atlantic (TCA) trade mission program is a partnership of the four Atlantic provinces and ACOA. TCA staged two highly successful events in Florida in 2006; and, in the spring of 2007 it returns to Florida on a follow-up initiative. A major TCA mission is scheduled for Boston in November 2007. NSBI will coordinate the business-to-business component of these TCA missions, with responsibility for recruiting and supporting the Nova Scotia company contingent.

NSBI Trade Development Initiatives
For 2007–2008, in addition to carrying out our partnering activities and our generic trade development responsibilities, NSBI will continue to support those industry sectors without clear line department

responsibility for trade within the provincial government, such as aerospace and defence, information technology, life sciences, and plastics.

We will maintain our focus on what we firmly believe is our key strength—putting business people together to do business in export markets. As such, outgoing trade missions will be the central plank in our 2007–2008 service offering, again supplemented by the Export Prospector Program.

A number of target markets that can potentially lead to realistic diversification opportunities for many Nova Scotia businesses will be offered in our mission calendar. To improve service delivery and communications, a pilot project is planned for the fall of 2007 in which a multi-market European trade mission will be organized and promoted as a single event, rather than as separate market initiatives. The launch of a new NSBI Trade Development micro website, nwww.sbitrade.com, will also provide greater flexibility in promoting our trade event calendar.

International trade shows are a marketing tool widely used by most exporters and will occupy a greater proportion of NSBI's trade development activities in the coming year.

Nova Scotia's new provincial Trade Strategy underscored the importance of our service sector's exports and provided for the ongoing delivery of the popular Service Export Program (SEP). NSBI is also participating in the Private Sector Liaison Officer (PSLO) network to facilitate access by small and medium-sized enterprises (SMEs) to the World Bank Group's products and services. As a result, one of NSBI's trade development executives is now assigned full time to supporting our PSLO responsibilities, developing Nova Scotia's service-sector exports and helping our businesses exploit the significant international opportunities that exist within it.

Our Trade Strategy also provided for the development of two entirely new trade programs to be delivered by provincial government departments' trade development staff; NSBI will support the development and administration of these programs. One of these, the Go-Ahead Program (GAP) will encourage Nova Scotia companies to take part in provincially supported trade programs by receiving a "go-ahead" (through pre-qualified funding) for them to return to market to pursue identified business leads. The second, ExportAbility, can assist companies in pursuing export-related education and training for owners and employees.

NSBI places considerable emphasis on recording and evaluating the impact of its work in trade development. Activities are tracked as they occur, including a count of the number of business-to-business interactions that take place through each in-market initiative. Results are gathered from clients through a telephone interview six months following each company's market visit and are aggregated on a project-by-project basis. With this system in place and systematically updated, it is now possible to gauge the impact of all of NSBI's trade development programs more accurately and comparatively.

Financial Services

NSBI's financial services team offers a wide range of flexible financial services for clients, from term debt to loan guarantees to venture capital, and works individually with companies to find the right financial solution to meet their unique needs. Financial solutions are intended to help fill financing gaps in the marketplace and are often done in partnership with other financial institutions.

The Nova Scotia Business Fund is the source of capital for these flexible financial solutions. It is used to support growth-oriented companies operating in a wide variety of industry sectors—from manufacturing to knowledge based—that demonstrate a solid and viable business case. The portfolio currently has approximately $170 million outstanding to 100 companies located throughout the province. For 2007–2008, net new capital available for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be $20 million, with repayments of current outstanding investments estimated to be in the $7.5–10 million range.

The approach of the Financial Services Team for 2007–2008 is to build on many of the initiatives commenced in 2006–2007. For example, a broader net economic benefit model was introduced to assess individual financial transactions. This model considered the total incremental return to the province from a given transaction. This broader analysis will continue for the coming year.

NSBI will continue to pursue the delegation of authority to NSBI's senior management to adjudicate transactions up to a maximum of $350,000. This will assist small business customers who deal with significant time pressures and will enable NSBI to more effectively meet the needs of business. With the delegation of authority in place, NSBI intends to develop a financing package that would provide pre-approved contract financing support to trade mission participants in advance of departure. This could come in the form of a pre-approved operating line of credit or a guarantee. With this in place, export clients can negotiate contracts while on a trade mission, with the comfort that their financing needs have been pre-arranged. In addition, the financial services team will also continue to look to identify export-focused, service-based companies that could be potential clients. This is consistent with the province's updated economic development strategy, which places increased emphasis on exports.

In 2006–2007, the overall structure of the financial services team was reviewed. One change was to assign individual account executives to geographic regions of the province. This was done to help prospective clients better understand the first point of contact within NSBI.

In terms of NSBI's venture capital (VC) offering, NSBI intends to devote resources in 2007–2008 to rebrand the organization's role in providing equity, in order that clients and prospective clients better understand the role NSBI can play.

In 2007–2008, and as part of the development of NSBI's next five-year plan, the organization will undertake a review of the NSBI Act and accompanying regulations. This will be done to determine whether changes may be warranted to better meet the needs of clients.

Nova Scotia Business Fund

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the make-up of the portfolio. These include the following:

- annual sector investment targets
  - foundation 18%
  - knowledge-based (IT and life sciences) 20%
  - manufacturing 48%
  - energy 9%
  - other 5%
- $15 million maximum per company
- 25% maximum available for working capital/ equity investments
- Borrowing rates are established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization).

Marketing and Communications

NSBI has successfully launched a redesigned website that offers a higher level of usability and functionality for current and prospective clients. With this enhanced tool in place, it has provided the basis from which to offer additional forms of e-communication. This is illustrated by the 2005–2006 Annual Report, which for the first time was offered in a full e-format.

For 2007–2008, NSBI intends to continue to take a more electronic, technology-focused approach to communications. By taking this approach, NSBI will be more readily able to adapt to the evolving opportunities that the global marketplace offers.

In addition, NSBI's marketing and communications team will also continue to support the communication needs of NSBI's customer-facing, frontline business units, including increasing the awareness of NSBI to potential Nova Scotia clients. This includes marketing collateral, event management, etc. This is in addition to the two major annual events that NSBI hosts—the Export Achievement Awards and the Geared for Growth Conference.

Corporate Services

NSBI's corporate services team is responsible for the management of NSBI's inventory of property holdings across the province. This includes industrial parks, industrial malls, and other holdings such as undeveloped land. In NSBI's role as stewards of properties, the organization works with community agencies. In 2006–2007, NSBI undertook an evaluation of the existing portfolio. The industrial parks and malls are strategic as a driver of economic growth for the local communities and, therefore, for the province. Discussions have commenced with a few regional partners to determine how the parks and malls can be controlled locally so these assets tie into regional growth plans.

In 2007–2008, NSBI intends to further discussions with local partners with respect to industrial parks and malls being controlled locally. NSBI will also undertake the required capital expenditures so these assets are positioned to continue to be able to provide their maximum economic potential. Other NSBI properties, including port related assets, require additional assessment to ensure the provincial benefits are maximized.

Human Resources

Since its inception, NSBI has been committed to creating a results-oriented corporate culture. To this end, a results-based Corporate Scorecard is used to link activity to desired outcomes. NSBI's employees are highly motivated, professional, and experienced individuals and are its greatest asset. NSBI encourages its employees to participate in professional development and training that benefit both the employee and the organization.

For 2007–2008, key Human Resources initiatives include evaluating and upgrading the existing job evaluation tool, focusing on management development training, targeting specific outcomes, and undertaking a review of key HR policies.

Partners

In 2007–2008, NSBI intends to continue to work closely with partner organizations and agencies to assist with meeting its mandate. This includes working collaboratively with provincial departments such as Economic Development, Immigration, and Education.

In addition, NSBI has successfully used a "Team Nova Scotia" approach to sell the merits of establishing an operation in the province to companies that NSBI has identified would be an appropriate "fit" with the province's value proposition. This means bringing together the right organizations at the right time during the sales cycle. This team-based approach has served the province well and will continue to be used during 2007–2008.

Budget Context

Nova Scotia Business Inc. Budget Summary

Fiscal Year 2007–08

	Estimate 2006–07 ($ 000)	Forecast 2006–07 ($ 000)	Estimate 2007–08 ($ 000)
Operating Contribution			
Recurring	9,381	9,381	9,881
Non-recurring	850	850	—
Total Operating Contribution	10,231	10,231	9,881
Loan Valuation Allowance	1,600	1,600	1,600
Strategic Investment Funds	20,240	11,700	15,134
Sub Total	32,071	23,531	26,615
Capital Grant (Industrial Properties)	2,000	2,000	1,925
Total	34,071	25,531	28,540

The following are total financial requirements for 2007–2008.

	($ 000)
1. Operating Contribution:	
Recurring	9,881
Non-recurring	0
Total Operating	9,881
2. Loan Valuation Allowance	1,600
3. Strategic Investment Funds	15,134
Sub-Total	26,615
4. Capital Grant (Industrial Properties)	600
Total	27,215
5. Capital Allocation (Nova Scotia Business Fund):	
Advances	20,000
Repayments	7,500–15,000

Outcomes and Performance Measures

NSBI prides itself on being an accountable organization and holds itself to the highest standards of corporate governance and accountability. And as a results-driven organization, NSBI remains fully committed to measuring results that directly impact the goals of the organization.

Ultimately, the organization is driven by the desire for clients to create economic growth and prosperity throughout the province. This, in turn, creates new taxes for the province that can be used to fund government priorities like health care and education.

For 2007–2008, NSBI will continue to focus efforts on higher-value opportunities. This is consistent with the province's economic strategy to create greater prosperity throughout the province.

Outcomes and Performance Measures

Overall NSBI Measures

Overall performance	Total payroll	Total payroll impact of NSBI clients	$163 million	$130 million	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia grow • Provide financial solutions • 5-year cumulative target of 18,000 jobs created and maintained
	Jobs within Nova Scotia	Number of jobs retained and created by clients	3,700 maintained and new	3,000 maintained and new	
Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance	Business culture—deliver results within cost-management structure	Operate within annual operating budget	$7.3 million	$9.9 million	• Maximize operating efficiency and cost effectiveness

Core Business Area 1 *Business Attraction Measures*

Goal	Indicator	Measure	Base Year 2004–05	Targets 2007–08	Strategies to Achieve Target
Attract leading-edge, sustainable business investment to Nova Scotia	Foreign direct investment (FDI) in Nova Scotia	# of companies that relocate part or all of their operations in Nova Scotia	12 companies	15 companies	• Seek new sustainable businesses to relocate or expand in Nova Scotia
	Economic benefit to Nova Scotia	Average gross salary of new jobs created through business attraction and reinvestment	$53,000	$40,000	• Develop FDI strategies based on innovation
	Fiscally prudent financing	Average portfolio return on investments utilizing payroll rebates	83.6%	40–50%	• Strategic utilization of payroll rebates to establish growth industries

Outcomes and Performance Measures

Core Business Area 2 *Business Growth Measures*

Goal	Indicator	Measure	Base Year 2004–05	Targets 2007–08	Strategies to Achieve Target
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets	Nova Scotia companies expand business within Nova Scotia	# of qualified referrals for export development, investment, or financing	140	120	• Proactive business meetings • Continue to build awareness of NSBI in regional NS
		# of qualified referrals to external partner agencies	184	180	• Proactive business meetings • Continue to build awareness of NSBI in regional Nova Scotia
	Volume and diversity of exports	# of clients introduced to new markets/further advanced in existing markets	79 clients	120 clients	• Delivery of tailored export development services including Export Prospector and trade missions
	Export sales	Incremental export sales of NSBI export development clients	$30.3 million	$35 million	

Outcomes and Performance Measures

Core Business Area 2 *Business Growth Measures (continued)*

Goal	Indicator	Measure	Base Year 2004–05	Targets 2007–08	Strategies to Achieve Target
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of financings with new/existing companies utilizing Nova Scotia Business Fund	13 financings	15 financings [20 including # of successful financial transactions using external partner agencies + material amendments]	• New product offerings • Sharpened business development focus • Development of partnerships with other financial agencies
	Quality portfolio management	Impaired loan ratio	New measure	10% or less	• Portfolio management strategies
		Annual client review completed	New measure	100% of clients reviewed	• Portfolio management strategies
	Partner for financing solutions	Leverage ratio of partner: NSBI	Ratio of 2.3:1	Ratio of 1:1	• Maintain co-investment philosophy

Human Resources Measures

Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance.	Employee training and development	% of employees participating in training and development programs	85% of employees	80% of employees	• Provide and promote training and educational programs

Appendix 1

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Payroll Rebate
Overview	• The payroll rebate is based on targeted employment creation and new payroll generation. • This financial incentive may be used when it can be shown that an applicant's project generates a net economic benefit to the province in one or more of the province's key economic sectors.
Amount	• Between 5% and 10% of the applicant's gross incremental payroll, depending on the applicant's strategic location or business sector and the net economic benefit generated to the province.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • Nova Scotian and out-of-province firms located in Nova Scotia creating new jobs in Nova Scotia are eligible for the payroll rebate program. • Applications for assistance must be project based. Projects are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance. • The project should result in the creation of at least 20 new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 20 FTEs may be considered when there is high strategic value or strong economic benefit. • Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.
Application Requirements	1. Most recent financial statements of the assisted company 2. Share structure and share ownership in the case of private companies 3. Cash flow forecast

Appendix 1 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Payroll Rebate
Criteria	• The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector. The company must also demonstrate: • Strong management (corporate and local) • Compliance with Environment Act, Occupational Health and Safety, and Labour Standards Code (if already established in Nova Scotia) • Economic benefit to the province (e.g., estimated number of jobs created/maintained, linkages with other sectors, non-competition with Nova Scotia industries, import substitution, etc.) • An acceptable credit history
Performance Conditions	• Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of $ (amount), defining a job as 2000 hours of work per year. • The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information: – Incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the company's records on each anniversary date from the actual commencement of operations – Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual commencement of operations
Payment Terms	• Payable 12 months after the project commencement and annually thereafter, on each anniversary from the project commencement • In certain circumstances payments may be considered more frequently than annually • Payment term generally should not exceed five years.

Appendix 2

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Technology and Innovation Fund
Overview	• The Technology and Innovation Fund is a discretionary, non-entitlement tool designed to encourage productivity enhancements primarily in existing small and medium enterprises and to stimulate investment in technology and labour to drive productivity gains. • This financial incentive may be used when it can be shown that the project enhances the ability of the business to be more competitive nationally/globally thus continuing to generate an economic benefit to the province.
Amount	• NSBI will contribute between 10% and 50% up to a maximum of $500,000, of the gross project costs (however, under certain circumstances NSBI may invest greater than $500,000 when there is high strategic value or strong economic benefit), depending on the productivity gains, location, and the estimated period of time in which the economic benefit to the province exceeds the investment.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • Applicants should be export oriented. • Applicants must contribute a minimum of 20% of the overall project costs to the project (overruns are the responsibility of the applicant). • Applications for assistance must be project based. Projects are expected to improve productivity through investments in technology and/or labour. • Projects that have previously received assistance under the program will not be eligible for additional assistance. • Incremental projects from any one applicant will be considered. • Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered. • All other government assistance must be disclosed and may influence the level of contribution.
Application Requirements	• All proposals will be assessed based on long-term viability and their potential contribution to economic growth and expansion of Nova Scotia's industrial and export bases. • Project plan outlining anticipated productivity gains and timelines • Historical financial statements of the applicant • Share structure and share ownership in the case of private companies • Cash flow forecast

Appendix 2 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Technology and Innovation Fund
Criteria	• The applicant and the project must have reasonable prospects (business plan) for continued growth and success. The applicant must also demonstrate: • Strong management (corporate and local) • Compliance with Environment Act, Occupational Health and Safety, and Labour Standards Code (if already established in Nova Scotia) • Economic benefit to the province (e.g., incremental export revenue, transfer of knowledge and technology, enhanced processes, estimated number of jobs created and or maintained, etc.) • An acceptable credit history
Performance Conditions	• Assistance is based on specific targets/milestones that the assisted company must achieve within a period of time. • The applicant must produce receipts certifying expended funds and proof of execution of plan and milestone attainment.
Payment Terms	• Payable upon completion of establish project benchmarks and proof of payment and/or receipt of goods and services. • Payment terms will be established on a project basis, but generally should not exceed one year.

Appendix 3

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Interest Rebate
Overview	• The interest rebate is a discretionary tool designed to encourage employment creation and net economic benefit for the province. • This financial incentive may be used when it can be shown that an applicant's project generates a significant net economic benefit to the province. • This interest rebate is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to NSBI's financial services clients to below NSBI's cost of borrowing.
Amount	• The amount (or rate percentage reduction) per project will be dependent upon the net economic benefit to be generated for the province as a direct result of the project. This will be determined on a project-by-project basis.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • The project should result in the creation of at least 20 new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 20 FTEs may be considered when there is high strategic value or strong economic benefit. • Financings are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance. • Companies that have previously received interest rebate assistance will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • All other government assistance must be disclosed and may influence the level of contribution.
Application Requirements	• Completed application form including all supporting documentation as requested
Criteria	• The company must have a solid business plan for continued growth and success.

Appendix 3 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

	Interest Rebate
Performance Conditions	• Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of $ (amount), defining a job as 2000 hours of work per year. • The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information: – Incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the company's records on each anniversary date from the actual project commencement – Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual project commencement
Payment Terms	• Rebate to be provided on a continual basis for a term generally not to exceed seven years, or the maturity of the loan, whichever occurs earlier and provided all terms and conditions of the financial assistance agreement continue to be met during the period • Failure to maintain all terms and conditions of the financial assistance agreement may result in an adjustment to or cancellation of the rebate entitlement.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Nova Scotia Crop and Livestock Insurance Commission

Business Plan 2007–2008

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Mission

To provide Nova Scotia farm managers with insurance products with which they can manage the financial risk associated with reduced crop or animal production losses due to insurable perils.

Link to the Corporate Path

In support of government objects of creating winning conditions and seizing new economic opportunities, the Nova Scotia Crop and Livestock Insurance Commission strengthens the fabric of rural economies in Nova Scotia by providing agricultural entrepreneurs with the opportunity to cover off the risk of financial losses caused by crop failures. The introduction of new insurance products will provide more farm producers access to production insurance and expand the risk management options for those already actively managing their production risks.

Planning Context

The Nova Scotia Crop Insurance Commission was established in 1968 to provide Nova Scotia farmers the opportunity to manage the risk of production failure. The Nova Scotia Crop Insurance Act was amended in 1978 to provide for the administration of the Livestock Insurance Program and is now cited as the Crop and Livestock Insurance Act.

The commission reports to the Minister of Agriculture and is a key component of the business risk management services that the department offers to the industry. It administers 14 crop insurance plans and a dairy livestock insurance plan. In 2003 the Canada–Nova Scotia Implementation Agreement associated with the National Agricultural Policy Framework (APF) established the Production Insurance platform. The agreement outlines cost-sharing arrangements and administrative requirements that govern the design and delivery of production insurance programs.

Federal and provincial ministers have indicated their desire to expand and strengthen the role of the program to offer more coverage to commercially grown crops and livestock species. In that context, the commission is developing products for crops and/or production systems that have not traditionally been covered under crop insurance.

The commission plans to expand its product line to include insurance options for more crops and animal species like poultry. We will also introduce new options for conventional cropping situations and introduce a new compensation program for damage done by uncontrollable wildlife and waterfowl.

A 2005 study of administrative best practices in delivery of production insurance programs revealed areas where the commission can improve its service delivery. On the report's recommendation, the commission will modernize its information management capabilities, take steps to reduce its underwriting and claim verification costs, and increase co-operation with other provincial delivery agents. A major rebuild of the commission's data management capabilities will be completed in March 2007.

Strategic Goals

- To support the economic growth of the province through provision of insurance products that help to stabilize the incomes of agricultural businesses
- To increase program participation by expanding programming to include new insurance plans under conventional production insurance and to introduce product innovations that broaden the income stabilization capacity of farm businesses
- To improve service delivery to clients by reducing red tape and decreasing turnaround time on client requests for program improvements

Core Business Areas

The core business of the Crop and Livestock Insurance Commission is creating winning conditions and supporting new economic opportunities in agriculture through the delivery of insurance-based risk management options. Its business is conducted pursuant to federal and provincial regulations and in accordance with the Business Risk Management chapter of the Canadian Agricultural Policy Framework (APF).

Priorities for 2007–2008

The commission's priority is to increase the coverage it offers to Nova Scotia Agricultural Production. The value of coverage is actively managed by increasing the number of products offered and the range of options available to clients. In support of government's goal of developing a competitive business climate that encourages economic growth and increases jobs in Nova Scotia's rural and coastal communities, the commission will pursue increased program participation through program expansion/enhancements, including the following:

- Introduction of a more flexible weather-based product will offer protection against drought and quality loss during critical harvest periods. Regulations were approved in mid-2006 allowing for insurance coverage against drought conditions and against excess rainfall during the critical June harvest period.

- Inclusion of the Dairy Livestock Insurance Plan in the Production Insurance platform, which will allow full cost sharing by both levels of government. This will allow producers to take advantage of the 60 per cent government cost sharing on premiums.
- Introduction of a poultry insurance livestock insurance plan to cover infectious laryngotracheitis, a disease that has caused significant hardship to our poultry sector in recent years.
- Introduction of a wildlife and waterfowl compensation program that will allow compensation for agriculture products destroyed by uncontrollable wildlife and waterfowl. Regulations will be finalized and submitted for approval early in 2007.
- Introduction of risk-splitting benefits made possible by recent improvements to federal cost-sharing guidelines. Specifically, the commission will offer separate insurance coverage for high-value apples in support of growers who are actively seeking high margins.
- The commission will continue the development of more flexible coverage options for horticultural crops. These may include value-based coverage and programs for commercial-scale market garden operations that grow a small acreage of many different crops.

Budget Context

The commission budget is included in the budget estimates of the Department of Agriculture. The Implementation Agreement under the Agricultural Policy Framework (APF) provides for reimbursement of 60 per cent of the administrative costs relative to production insurance. Premiums paid by clients and by the federal government are not included in the budget figures. Livestock insurance has not yet been incorporated into the APF, so no federal support is received for that portion of the commission's business.

Operational priorities outlined above have been costed and included in the budget estimate.

Estimate of Income and Fund Balances

	Estimate 2006–07 ($,000)	Forecast 2006–07 ($,000)	Estimate 2007–08 ($,000)
Revenues			
Insurance Premiums paid by Clients	311	345	357
Insurance Premiums Contributed by Government (Federal)	295	312	322
Insurance Premiums Contributed by Government (Provincial)	197	208	215
Interest Income	160	38	135
Total Revenues	963	903	1,029
Expenses			
Indemnity Claims	1,101	1,690	1,300
Reinsurance Premiums			
Bad Debt Expense	13	—	5
Total Expenses	1,114	1,690	1,305
Net Income From Insurance Activities	(151)	(787)	(276)
Crop and Livestock Insurance Fund Balance			
Beginning of Year	6,755	6,604	5,817
End of Year	6,604	5,817	5,541
Administrative Expenses			
Government Contributions (Canada)	534	777	580
Government Contributions (Nova Scotia)	360	483	481
Total Administrative Expenses	894	1,260	1,061
Net Government Expenditure			
Canada (Premium + Administration)	829	1,089	902
Nova Scotia (Premium + Administration)	557	691	696
Total Program Expenditure	1,386	1,780	1,598

Outcomes and Performance Measures

Core Business Area *Creating winning conditions through insuranced-based risk management options*

Outcome	Measure	Data Base Year (2004–2005)	Target 2007–2008	Ultimate Target 2009–2010	Strategies to Achieve Target
More farms protected by insurance products that protect against production loss	Number of farms using production insurance	600 (2005–06: 666) 2006–07: 659)	700	750	• Improve program effectiveness and flexibility through introduction of non-production–based plans; this is in response to client requests for more options in insurance coverage
More value covered by insurance	$ value of coverage	52.5 million (2005-06: 51.3 million) (2006-07: 56.7 million)	$72 million	$84 million	• Introduction of poultry insurance, weather-based forage insurance, expanded tree coverage, and higher unit prices and coverage options
Greater per cent of potential production insured	Aggregate coverage level for crop program	80% (2005–06: 81.9%) (2006-07: NA)	83%	84%	• Introduction of more flexible risk-splitting benefits for all crop plans and higher unit prices in response to market conditions
Greater number of insurance options	Number of insurance products available	14 (2005–06: 13) (2006–07: 13)	15	17	• Introduction of a weather-based forage product, poultry insurance, and a wildlife compensation product

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Farm Loan Board
Business Plan 2007–2008

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Mission

To advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.

Introduction

Our Vision

The Nova Scotia agricultural industry, with the support of the Nova Scotia Farm Loan Board, has a strong and secure future. This will be provided through programs and services that focus on long-term stability in agricultural financing and financial counselling on Nova Scotia farms.

Our Mandate

The board operates as a corporation of the Crown under the authority of the Agriculture and Rural Credit Act (*Revised Statutes of Nova Scotia*, 1989, Chapter 7). This act emphasizes rural development and the effective use of credit to develop rural Nova Scotia.

The Timber Loan Board's authority is from regulations made pursuant to The Forest Act (*Revised Statutes of Nova Scotia*, 1989, in Section 20 of Chapter 179). This act provides for credit to acquire forested land for forest product mills.

Our Board of Directors

Five board members, with successful careers in agriculture and business, govern policies, receive reports on operations and clients, and provide strategic direction for the board. Board members are appointed for terms of up to five years by the Governor-in-Council and are accountable to the Minister of the Department of Agriculture. Day-to-day operations are delegated to staff, who are responsible to ensure that conduct, management, and operations meet board and provincial requirements.

Current Board Members

Chair: Leo Cox. Leo has been a member (and chair) of the board since March 2000. His current term began May 2005 and expires April 2008. Leo is from Mabou, and he has a long background in agriculture, having served with the Department of Agriculture in livestock and extension services for 30 years. He owned a cow-calf farm and is still actively involved in the operation of Lake Mabou farms. Leo has served on numerous boards and is the current chairman of the Inverness Consolidated Memorial Hospital Charitable Foundation.

Vice-Chair: Carol Versteeg. Carol has been a member of the board since October 1994. Her current term began February 2005 and expires February 2008. Carol is a graduate of the Nova Scotia Agricultural College and MacDonald College. Carol lives in

Hardwoodlands and from 1977 to 1987 was a partner in a dairy farm. She is the Executive Director of the Soil and Crop Improvement Association of Nova Scotia and is involved in 4-H and the Women's Institute of Nova Scotia, as well as other organizations.

Member: Hank Bosveld. Hank has been a member of the board since September 2000. His current term began September 2005 and expires September 2008. Hank lives in Lakeville, Kings County, where he operated a greenhouse and orchard until transferring ownership to his son. He remains actively involved in the operation. Hank is also actively involved in the Kings County and Nova Scotia Federation of Agriculture.

Member: Stephen Healy. Steve has been a member of the board since November 2003, with his current term expiring November 2009. He lives with his wife and three children in Kentville, where he operates a successful financial planning firm. Steve is a graduate of NSAC and the University of Guelph. He is a past board member of the Annapolis Valley Victorian Order of Nurses and Annapolis Pony Club and is currently a member of Rotary. Community projects such as the Berwick Apple Dome and local hockey programs continue to be of importance to Steve and his family.

Member: Victor Moses. Victor has been a member of the board since March 2000. His current term began February 2005 and expires February 2008. A graduate of the Nova Scotia Agricultural College and MacDonald College, Victor served for more than 8 years as agricultural representative with Department of Agriculture followed by 40 years in management with food processing and vegetable fruit production in the Annapolis Valley. He is presently CEO of large fruit and vegetable operation. Victor is heavily involved in volunteer work and lives in New Minas, Kings County Nova Scotia.

Our History

Active since 1932, the Nova Scotia Farm Loan Board is an agricultural development agency acting to build greater prosperity by supporting agricultural and rural business development by providing long-term loans at fixed interest rates and through financial counselling services. A corporation of the Crown, the board collaborates with the Nova Scotia Department of Agriculture and also operates as the Timber Loan Board.

Availability of credit with stable long-term rates and understanding of the agricultural industry including cyclical swings in profitability are considered to be strengths of the board in encouraging development of this industry.

Operations and interest rates are managed so as to cover all direct costs of operation and provide a modest net income (averaging $1.1 million before government contributions over a five-year period), which offsets indirect costs of services provided by government to the board and provides resources for maintenance of systems and operations. At last year-end (March 31, 2005), the board's total loan portfolio totalled $175 million in loans. Including lease property accounts, total lending to agriculture represents approximately 28.0 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled $847,000 for the forest industry.

Primary stakeholders in board operations include individual and potential borrowers and the province, in particular the Departments of Agriculture, Natural Resources, and Finance. Other important stakeholders include the Nova Scotia Federation of Agriculture and the various commodity groups, commercial lenders, equipment and feed suppliers, the wholesale and retail sectors for products produced in Nova Scotia, and others concerned with economic development within rural areas.

Link to the Corporate Path

Globally Competitive Business Climate

The Nova Scotia Farm Loan Board's mandate, mission, vision, and priorities contribute directly to the Corporate Path by contributing to creation of winning conditions in the agricultural industry. By ensuring that long-term stable credit is available on a consistent basis, and by working with the industry through cyclical downturns, the board assists an industry that must be competitive with globally supplied alternatives to survive.

Vibrant Communities

Leader in Clean and Green Economy

In pursuing its main priorities, the board also contributes to the success of rural communities, and by supporting development of environmental plans and investment in good environmental choices helps enable environmental improvements within the industry

Planning Context

External Context

Overview

The agricultural industry is affected by local weather and other conditions affecting production and by conditions in competing regions that may affect general price levels for commodities produced, as well as market conditions, including the effects of branding, consolidation and national purchasing, and market access.

For the most part, general climatic conditions were favourable in Nova Scotia during the past year. Weather conditions and any change in expected patterns present an obvious concern to agriculture.

We continue to see a trend toward fewer, larger farms, a trend particularly noticeable in the dairy and poultry sectors. Changing technology, food safety concerns, and implementation of related health-protection measures are common challenges.

Technology is providing for increased mechanization and automation and is being felt in a wide range of applications. This trend is supporting a broader trend toward consolidation of agricultural operations into larger units in attempts to gain efficiency through economies of scale. In most sectors, entry as a producer involves significant initial cost for specialized buildings and equipment and quota (for supply-managed sectors). Larger operations and high start-up costs present difficulties to new entrants and for inter-generational transfer of family businesses, which must be addressed.

Producers must be constantly aware of environmental concerns and maintain up-to-date skills, procedures, and facilities and equipment to meet today's standards.

Review of Sectors in Which the Board Holds a Significant Value in Loans

Our largest sectors, dairy and poultry, are profitable and benefit from supply-managed marketing systems; however, disease, such as an avian flu outbreak, could have a major impact. In the longer term, World Trade Organization (WTO) and other international negotiations may affect the supply management system, and this in turn may have a significant affect on profit levels and management of risk. The closure of the Maple Leaf poultry processing plan in Canard, announced in January to be effective April 2007, may result in a restructuring of marketing for poultry in the province.

Beef markets have begun to show signs of recovery with the opening of international borders to Canadian beef. The recent announcement of $2.7 million in assistance from the province to pay down loans will assist producers in their cash-flow position and inject equity into their businesses. Further efforts in order to assist beef producers in developing, enhancing, and refining their farm business plans should assist in their recovery.

Low returns on hog production became critical in the fall of 2006 and early in 2007. In spite of assistance announced by the province, producers face extreme profitability and cash-flow problems, and some may need to exit this sector. Those remaining must pursue non-traditional options to generate sufficient returns. The board will be collaborating in the administration of the $3.5-million grant program directed to Pork Nova Scotia and the hog producers by the Department of Agriculture and will continue to work with producers in this sector to assist with their transition. Efforts to assist hog producers in developing, enhancing, and refining their farm business plans should assist in their recovery and/or identify future opportunities inside and outside of the hog industry. The board will work with each individual producer to explore their best options.

Vegetable producers are very affected by seasonal weather conditions but have good potential provided an appropriate marketing strategy is developed. Few producers have sufficient size on their own to supply major wholesalers, but direct and niche marketing including organic production may also be an option.

The blueberries sector is seen as having good profit potential, but does require significant pre-production development costs. Market prices are subject to world markets and expanding competitive production capacity. The long-term outlook for this sector is good, because Nova Scotia has a competitive advantage in production and processing.

Greenhouse production requires strong management skills to deal with international competition, high energy costs, and marketing issues. Lending to this sector is higher risk because of the specialized structures used in the industry.

The tree fruit sector faces strong competition, high costs of production, including labour, and a long delay between investment and initial return. The industry is making a concerted effort to enhance its opportunities to increase returns through new varieties and collaboration within the sector.

The mink industry has enjoyed an increase in demand, and strong prices have continued through out 2006–2007. Price and demand for mink pelts are affected by global supply and demand and tend to be cyclical. The sector is expected to grow over the next few years; however, with increased world production, operational efficiency and long-term commitments will need to be closely monitored.

In addition to the commodities reviewed above, the board works provides assistance to many other commodities. The board will continue to evaluate new opportunities in primary agriculture, on-farm value-added processing or marketing, and other development opportunities that fit into its mandate.

Interest Rates

Interest rates remain relatively low, although up from last year. Indications are that rates will remain relatively stable over the next year. The interest rate situation presents an opportunity for those requiring long-term financing and will tend to support acceleration of capital investment and the trend towards greater reliance on technology. The gap between interest rates for short-term and variable-rate loans as compared to term rates such as those provided by the board has narrowed. It is expected that this will result in greater demand for long-term loans.

Requirements for board financing are influenced by levels of investment in agriculture and timber businesses, rates of capitalization, general economic conditions, and the availability of funding from commercial lenders. The board offers fixed-interest loans with rates fixed for the full amortization period of the loan. Variable rates or term lengths of less than the amortization period are not offered, because it is felt that those alternatives increase the risk that clients will be unable to meet future loan payments if rates increase. The board will explore financial options and opportunities as they arise.

Lending by commercial and other lenders has increased significantly over the past few years. It is believed that this has been driven in part by low short-term and variable-rate loan rates and a positive focus on agriculture by other lenders, as well as increased capital asset and quota values. Any change in outlook or lending policies by commercial lenders could result in significant request for financing from the board. The board is mindful of the activities of the commercial lenders and will monitor changes in demand.

Projections are for board to advance $27.5 million in the 2006–2007 fiscal year for a net increase in the loan portfolio of $8.5 million. Short-term and longer rates have returned to a closer relationship. Demand for board loans has been steady but not exceptional. Requirement for board funding is expected to be approximately $28–30 million in 2007–2008.

Requirement for loan capital by the forestry sector continues to be of interest to the

Interest Rates Offered by the Board during the Year

Term	April 1, 2006–June 30, 2006	July 1, 2006–Sept. 30, 2006	Oct. 1, 2006–Dec. 31, 2006	Jan. 1, 2007–Mar. 31, 2007
1 to 5 years	5.95 %	6.45 %	6.15 %	6.15 %
6 to 10 years	6.25 %	6.70 %	6.15 %	6.20 %
11 to 15 years	6.40 %	6.95 %	6.15 %	6.20 %
16 to 20 years	6.50 %	7.00 %	6.20 %	6.25 %
21 to 24 years	6.60 %	7.10 %	6.60 %	6.60 %

board, both in response to need of the industry itself, but also because of the relationship between forestry and agriculture. Many farms include woodland as part of the overall operation, and forestry management parallels crop management in many aspects, including some equipment.

The board will seek to operate on a cost-effective basis and present a positive net income on lending operations over the long term, while meeting client credit needs, providing counselling services, supporting to new entrants, and collaborating with departments and industry. The board intends to remain flexible in its approach and will be open to any type of development, loan products, or ventures that will assist agricultural development in this province.

Ongoing Planning Focus

The board understands its focus to be the long-term health and development of agriculture in Nova Scotia. To support that through our lending program requires that services specialize in knowledge of agriculture, long-term client relationships, a client focus in developing and providing services, flexibility in lending services and repayment, counselling services, and long-term interest rates. During the 2007–2008 year, the board will continue to assess and develop the client focus and counselling aspects of its service.

The board recognizes that training and development are an ongoing requirement in order to understand client issues, identify and use best-lending and administrative practices, and maintain a professional staff.

While ability to repay remains the basic criteria from granting loans, sound environmental and business planning practices and procedures will continue to be requirements, recognizing that these are required for industry and individual growth and sustainability.

Additional options to reduce risk for beginning farmers will be investigated as identified during this process.

A new lending system was implemented in March 2005 and will add some flexibility in loan repayment options. Work continues to develop and improve system capabilities.

Strategic Goals

The following goals have been developed to meet the board's mandate and at the same time support the established goals of the Province of Nova Scotia.

1. Ensure industry access to stable, cost-effective, long-term developmental credit

To create conditions that help the rural economy grow, support sustainable and environmentally responsible development of agricultural industries, and support development of a competitive business climate to support economic growth and increase jobs in rural communities.

2. Assist in identification and analysis of growth opportunities for rural industries by promoting the use of financially sound business principles

To meet industry needs through provision of training and counselling to clients and sponsoring and promoting learning opportunities within the agricultural community.

3. Demonstrate sound financial administration, efficiency, responsibility in administration of public funds, and accountability in the board's own operations

Generate a positive net income as reported in published audited financial statements. Administer programs within guidelines and budgets. Measure and report on key success factors.

Core Business Areas

1. Lending

Providing long-term credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan service development, client service and administration, efficient and responsible financial management, and also includes the distinct but closely integrated area of financial counselling.

The financial counselling function is provided by loan officers in conjunction with meetings with clients and potential clients and includes assessment of projects under consideration. Loan officers assist in sourcing the best available credit, as well as promoting and participating in industry seminars and workshops.

By providing a reliable source of long-term credit the board directly provides for development and growth of the agricultural and timber industries, and indirectly influences credit availability at reasonable rates through influence on, and partnership with, other participants in the lending industry.

2. Programs Administration

Programs administration involves the development and implementation of departmental loan-based assistance programs in areas related to the board's financial operations and expertise such as the New Entrants to Agriculture Program and Ruminant Support Interest Grant.

Priorities for 2007–2008

1. Lending

Provide $28 to 30 million of new loan capital to the agricultural and timber industries in the 2007–2008 fiscal year.

The focus is on development and long-term stability. Projections for 2006–2007 indicate that by year-end, loans advanced will total $27.5 million and principal repayments approximately $19.2 million. Interest rates are expected to remain stable for the medium range, and demand for credit is expected to remain strong.

Statistics Canada reports of total farm debt by Nova Scotia farms indicate that it grew by approximately 58 per cent between 2000 and 2005. If historical rates of growth in agricultural capital requirements continue, $30 million of new loans will result in the board providing approximately 20 per cent of total agricultural lending in Nova Scotia in 2007.

Financial Counselling

The board will maintain its strengths in our understanding of agriculture, relationships with clients and client focus, flexibility in dealing with individual circumstances, counselling services, and long-term interest rates. Priority focus for 2007–2008 continues to be on our client focus and counselling services.

Governance

The board has developed a governance manual and initiated audit and governance committees, which will provide the board with a stronger audit and governance orientation in the 2007–2008 fiscal year and into the future.

Timber Loans

The board will continue to work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within this industry.

Reporting

The board will work with new technology and systems to improve client and administrative reporting.

Account Maintenance

The board will manage accounts such that write-offs and arrears remain stable in relation to the portfolio size, while maintaining a “patient lender” approach by supporting industries through cyclical downturns.

This approach includes accurate and appropriate appraisal and evaluation of security arrangements for loans, monitoring arrears, and financial counselling, particularly for new clients and clients identified as having financial difficulty.

Lending will continue to be directed toward viable enterprises and projects with potential to repay and acceptable security to support the loan. During financially difficult times the board is committed to assisting those operations that appear to have a long-term future and a commitment to meet their obligations. This may include deferral of payments, restructuring of debt, financial counselling, or referral to other relevant services.

Contact with and counselling services for clients with repayment difficulties will continue to be a priority in 2007–2008.

2. Program Administration

Administer a New Entrants Program in concert with the Nova Scotia Department of Agriculture.

This program, now in its sixth year, provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including approximately 25 inter-generational transfers in order to provide long-term stability and renewal of farm ownership. Thirty to forty applications are projected to be approved for the 2006–2007 year.

Further development of this program in collaboration with the Department of Agriculture, as well as development of other lending initiatives to assist new entrants and farm succession will be priorities for the board during 2007–2008.

Flexible Loan Programs

The board will explore flexible loan programs and continue to review the needs and potential for expansion and development of industry sectors in collaboration with the Department of Agriculture and Nova Scotia Federation of Agriculture. This will require consultation with industry representatives as well as those of other departments.

Human Resource Strategy

Provincially, the Nova Scotia's Corporate Human Resource Plan 2005–2010 establishes goals, objectives, and strategies in order to ensure help focus on making a "meaningful, measurable contribution to the lives of all Nova Scotians."

Within the guidelines of that plan, and recognizing the importance of our human resources, the board has developed an updated human resource plan providing an analysis of staffing requirements, which is being reviewed with the Department of Agriculture. The board's plan anticipates a need of 18.3 FTEs in order to fulfil its mission, mandate, and goals.

Implementation of the SAP module has redefined many positions within the board and has increased the technical requirements of some positions. A review of staff requirements and classifications is in progress.

The board will be mindful of the need for succession planning to deal with retirements and opportunities for advancement within the board and government. Succession issues will require introduction of new staff, training opportunities for new functions, and back-up plans.

Learning, through training and professional development and by sharing knowledge, is considered a priority of the board. An amount of $6,100 is forecast for 2006–2007, and $7,000 has been budgeted for 2007–2008. Training funds provide staff with technical training and opportunities to attend appropriate technical and professional workshops and conferences. Officers, staff and employees are appointed as required for the proper conduct, management and operations of the board.

Budget Context

Core Business 1. Lending

The board funds loans by arranging financing through the Department of Finance for terms similar to loans issued on a quarterly basis under an arrangement established in 1997. This arrangement allows the board to track and report an interest cost that is directly related to the revenue generated and to report a net income including interest margins.

Since the funding arrangement became effective, the board has reported income before government contributions totalling $7.8 million. Forecasts indicate a significant ($3.6 million) loss before government contributions during the 2006–2007 fiscal year as a direct result of difficulties being faced by the hog sector. Having adjusted for expected repayment difficulties within this sector, the forecast for 2007–2008 is for a small ($51,000) income before government contributions.

The board is assigned budgetary authority through the Department of Agriculture and is required to conform budget projections to the 2007–2008 budget authority assigned. Fee revenue has been assigned to the board based on historical revenue. Actual revenue will fluctuate depending on economic conditions. The largest fee component, early repayment fees, depends on prevailing interest rates compared with the interest rates on existing loans. Continued early repayment fee revenue at historical and budget levels is dependent on further interest rate decline. This area has been identified to the Department of Agriculture as a budget pressure for 2007–2008.

Significant portions of the board's expenses, most notably insurance costs under the board's life insurance program and bad debt expense, are variable, somewhat unpredictable, and beyond short-term control. Projections to date are for a recovery of approximately $150,000 in 2006–2007 and a similar amount in 2007–2008. Actuaries have advised that the results of this program will fluctuate from year to year. The board plans to review its current contract and explore options for increased stability in its insurance arrangement during 2007–2008.

Provincial estimates for 2007–2008 provide for 17.3 FTEs, down from 19.3 prior to 2005–2006. The board's structure and number of positions are identified in the human resource strategy section. The required allocation of staff in order to meet the board's mandate for the coming year will be reviewed with the Department of Agriculture.

Operational Income Statement

2006–07 Estimate $(000)	2006–07 Forecast $(000)	Description	2007–08 Estimate $(000)
10,800	10,985	Interest	11,390
150	150	Insurance Operations *	150
490	210	Fee Revenue / Recoveries *	582
11,440	11,345	Total Revenue	12,122
(9,400)	(9,444)	Interest	(9,800)
(1,146)	(1,166)	Operating Expenses *	(1,317)
(317)	—	Amortization of Tangible Capital Asset	—
(310)	(4,310)	Bad Debt Expense	(350)
(11,173)	(14,920)	Total Expenses	(11,467)
267	(3,575)	Income before Govt. Contribution	655
1,146	1,166	Government Contribution	1,317
1,413	(2,409)	Net Income	1,972

Note: Interest expense is established under terms of a Memorandum of Understanding arranged with the Department of Finance.

See budget context comments on the preceding page.

* Target assigned by Department of Agriculture

2006–07 Estimate ($ 000)	2006–07 Forecast ($ 000)	Description	2007–08 Estimate ($ 000)
Capital Funds			
183,955	184,182	Opening Principal	189,652
30,000	25,500	Add Loan Advances	30,000
(18,000)	(19,170)	Less Repayments	(22,500)
(500)	(860)	Less Principal Written Off	(500)
195,455	189,652	Closing Principal	196,652
Allowance for Doubtful Accounts			
7,127	7,155	Opening Allowance	10,605
(500)	(860)	Less Accounts Written Off	(500)
310	4,310	Additions (Principal portion of Bad Debt Expense +/- adjustments)	350
6,937	10,605	Closing Allowance	10,455
188,518	179,047	Net Portfolio at Year-End	186,197

Core Business 2: Program Administration

2006–07 Estimate ($ 000)	2006–07 Forecast ($ 000)	Description	2007–08 Estimate ($ 000)
600	500	New Entrants to Agriculture Program—Expenditures	600
600	560	New Entrants to Agriculture Program—Approvals (grants cover interest in the two years following approval)	600
		Focussed Financial Relief/Transitional Assistance Program (grants to retire Hog and Ruminant loans)	6,200
Total Staff			
17.3	17.3	Staff—FTEs	17.3

Financial Management

Effective financial management is a priority for the board.

The board has initiated communication with the Department of Finance for further development of financing arrangements established by memorandum of understanding in 1997 and for clarification of the terms.

Implementation of the SAP loans module has resulted in significant changes to business processes, controls, and capabilities. Staff continue to review these changes, seek to find ways to improve the speed and availability of accurate information, and ensure that staff are fully trained to make most productive use of system capabilities. Most essential reports have been developed, and completion of priority items is anticipated by April 2007. Further development is ongoing; and review, testing, and training will be required as change occurs. Internal controls will be reviewed to ensure that an appropriate balance has been found in efficiency and effectiveness and that documentation is up to date.

The board will commence a review of business continuity planning including an assessment of risk to ensure that information and ongoing service are appropriately safeguarded.

Outcomes and Performance Measures

Core Business Area 1 *Lending*

Outcome	Measure	Recent Results	Target 2006–07	Target 2007–08	Strategies to Achieve Target
Efficient program delivery	Net income (before government contribution) as a % of the average active loan balance	2004–05: –0.2% 2005–06: 0.4%. Forecast 2006–07: –1.9%	0.4% or above	0.3% or above (based on a goal of a positive net income of up to $1 million)	• Maintain interest rate margins in accordance with regulations while matching draws used to fund loans as closely as possible to loans issued in term and amount • Minimize operating expenses by efficient operating structure, practices, training, and electronic systems • Income has been negatively affected by reduced payout fees and a substantial increase in the Provision for Impairment in recognition of potential losses in hog industry loans
Stable, long-term credit available	FLB Loans as a percentage of total NS farm debt (based on calendar year data)	Calendar 2004: 28.3% Calendar 2005: 25.0% Projected 2006: 22.8%	28.4% or greater	22.5% or greater	• Reasonable long-term interest rates • Trained professional staff available to identify meet needs for financial counselling and loan assistance • $30 million in new capital support to the industry • Explore flexibility options for loan products • Facilitate transfer of Landbank and ARDA lease program properties to industry ownership • Long-term approach: As short-term interest rates become less attractive Farm Loan Board funding is expected become more in demand

Core Business Area 1 *Lending*

Outcome	Measure	Recent Results	Target 2006–07	Target 2007–08	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Arrears as % of value of all accounts	2004–05: 2.8% 2005–06: 3.3% Projected 2006–07: 3.0%	2.5% or less	3.0% or less	
	Defaulted accounts held as real estate as % of total of all accounts	2004–05: 3.5% 2005–06: 2.5% Projected 2005–06: 2.0%	3.1% or less	3.0% or less	• Implement follow-up visit policies and track and monitor follow-up visits • Monitor arrears • Refer clients to other industry resources • Clear up existing accounts in process for recovery • Arrears and defaulted accounts will vary from year to year depending on performance of the various agricultural sectors represented in the board's loan portfolio. Working with clients to achieve the best long-term outcome is the board's primary goal and will override short-term arrears goals.
Client satisfaction	Combined results for courtesy, promptness, knowledge, commitment on client survey	2005–06: 96% Projected 2006–07: 95%	90% or above	90% or above	• Monitor survey results • Review procedures for efficiency gains • Compare service results with commercial lenders to identify priorities for improvement

Core Business Area 2 *Programs administration*

Outcome	Measure	Recent Results	Target 2006–07	Target 2007–08	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	2004–05: 39 2005–06: 36 Projected 2006–07: 34	30–50	30–50	• Counselling by professional loan officers • Industry awareness and monitoring suitability through consultation with industry organizations and representatives • Identify appropriate modifications to existing programs, including budget allocations and additional funding and support mechanisms
Increased interest in farm ownership; start and retain new farmers	Percentage of new entrants assisted in last five years remaining in agriculture	2005–06: 99% (3 new entrants who started since April 2001 have discontinued)	80% or more	80% or more	• Program provides interest rate assistance for first two years on loans acceptable to a lending agency with expectation of repayment • Requirement for business plan
More farms remain in family hands, succession planning is encouraged, and pace of consolidation reduced	# of transfers to younger family members using this program	2004–05: 25 2005–06: 15 Projected 2006–07: 12	25	25	• Counselling family farm enterprises • Support for industry succession management workshops • Economic conditions have reduced the number of new entrant applications. In the longer term, applications are expected to return to targeted levels.

Note that data reported excludes transfers to non-family members who may also be providing for farm succession.

Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2007–2008

Nova Scotia Film Development Corporation

Business Plan 2007–2008

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Mission

To grow Nova Scotia's film, television, and new media industry with our partners by stimulating investment and employment and by promoting Nova Scotia's producers, productions, locations, skills, and creativity in global markets.

Introduction

Following a study evaluating the economic potential of the film and television industry in Nova Scotia, the Nova Scotia Film Development Corporation (NSFDC) was created in 1990 under the Film Development Corporation Act as a provincial Crown corporation. The corporation reports to the Minister of Economic Development.

A board appointed by the Governor in Council directs the affairs of the corporation. Members of the board are appointed for up to three-year terms and may be appointed for no more than two consecutive terms. The administration of the corporation and its programs and the implementation of the board's decisions are carried out by the Chief executive officer assisted by full-time staff including a director of finance, a program administrator, a locations officer, a communications and locations assistant, a finance assistant and an office administrator. The chief executive officer reports to the board and has chief responsibility for all programs administered by the corporation.

Legislation and By-laws

- Nova Scotia Film Development Corporation—Bill No. 42
- By-laws of the Nova Scotia Film Development Corporation
- Nova Scotia Film Industry Tax Credit and Regulations

Role

The corporation provides financial, development, and marketing programs to the local film industry. Its financial programs provide first-in funding, which is then used to leverage funds available through federal programs such as Telefilm Canada and the Canadian Television Fund and private sources such as broadcasters, distributors, and investment funds.

The corporation's investment funds are used to generate production, which results in job creation and supply consumption. Its development programs are of a product nature as well as training and development. The marketing programs are designed to raise the profile of Nova Scotia's film industry, create access to decision makers for local producers, and market the province to foreign studios, broadcasters, distributors, and producers.

The NSFDC is also the "go to" resource for both local and foreign production communities. It provides liaison services between industry and government, where necessary, and networks producers with one another.

Link to the Corporate Path

As part of its planning process, the NSFDC has reviewed the province's Corporate Path and considered its implications in developing business plan goals and initiatives.

The NSFDC's purpose and mandate does not provide opportunities to participate specifically in all areas of the Corporate Path's direction and priorities. However, the NSFDC's activities play a significant role in creating winning conditions for Nova Scotians and providing opportunities for seizing new economic opportunities.

While NSFDC's mandate does not necessarily provide direct opportunities in the third category, building for individuals, families, and communities, the economic impact of its activities does play a role in these categories. The 2004 study by Nordicity Group Ltd., *Nova Scotia Film, Television and New Media Industry: Impact Analysis and Long-Term Strategy*, found on the NSFDC website, deals, in part, with the socioeconomic impact of film and television production.

Film and television production is a central part of the modern cultural sector and contributes positively to the tourism sector. The industry provides an attractive career path for youth, stemming out-migration and providing leadership opportunities. It is relatively environmentally friendly and gives Nova Scotia a certain visibility that abets its efforts to attract business to the province.

Best-selling author and social theorist Richard Florida believes that human creativity is the engine of economic growth. To attract a creative workforce, governments must foster an environment that allows the arts to flourish and at the same time gives creative workers a range of career opportunities. Film and television production is one such industry; it gives writers and the myriad of visual artists the opportunity to apply their creative skills. The presence of a film and television industry and the associated talent base of people contribute immensely to the arts scene and to the diversity and liveliness of local community life.

In today's global economy, regional brand building is paramount to attracting the highly skilled workforce that fuels economic growth. The value of a brand that is not communicated effectively can become diminished. The film and television industry contributes to Nova Scotia's brand building endeavour in two respects—the effect it can have on our tourist industry and its power as the dominant media for storytelling. A vibrant film and television production industry is critical, so that Nova

Scotians can tell stories about Nova Scotia to fellow Nova Scotians, Canadians, and people around the world.

The existence of a vibrant and successful production industry demonstrates to Nova Scotians and Canadians that Nova Scotia is a "place where things can happen."

The following table provides a link between NSFDC goals and initiatives and the province's Corporate Path's direction and priorities.

The Province of Nova Scotia's Corporate Path's Direction and Priorities

Vision: Building for Families, Building for the Future

Priority: NSFDC goals and initiatives

1. Creating Winning Conditions

   1.1 Globally Competitive Business Climate

   - Equity Investment Program
   - Development Loan Program
   - New Media Program
   - Feature Film Distribution Assistance Program
   - Market and Festival Assistance Program
   - Script Breakdown/ Location Library
   - Scouting
   - Community Liaison and Ongoing Support
   - Film Industry Tax Credit
   - Strategic Partners
   - Film Advisory Committee
   - Industry Taskforce

   1.2 Globally Competitive Workforce

   - Bridge Award Program
   - Professional Development Assistance Program
   - Atlantic Canada Film Partners
   - Industry Taskforce

   1.3 Globally Competitive Connections [infrastructure]

   - Market and Festival Assistance Program
   - Professional Development Assistance Program
   - Marketing Program
   - Script Breakdown/Location Library
   - Scouting
   - Community Liaison and Ongoing Support
   - Trade Missions
   - Strategic Partners
   - Association of Provincial Funding Agencies

2. Seizing New Economic Opportunities

   2.1 Leader in Information Technology [as an enabler of innovation]

   - New Media Program
   - Market and Festival Assistance Program

- Professional Development Assistance Program
- Industry Taskforce

2.2 Leader in R&D and Innovation

- Professional Development Assistance Program
- Film Industry Tax Credit
- Industry Taskforce

3. Building for Individuals, Families and Communities

3.1 Healthy, Active Nova Scotians

3.2 Accessible Services

3.3 Safe Communities

- Film Advisory Committee

3.4 Vibrant Communities

- Social Impact of Film Industry

Planning Context

The NSFDC has two interrelated approaches to development of the film industry in Nova Scotia and, more broadly, economic development in the province. The corporation's financial programs are aimed at local filmmakers, and they include equity investments, development loans, new media equity investments, feature film distribution assistance, CBC/NSFDC Bridge Award, sponsorship and training awards, and market/festival and professional development assistance. Additionally, the NSFDC administers the Nova Scotia Film Industry Tax Credit program on behalf of the Department of Finance. The corporation strives to administer the public funds that it is entrusted with in an effective and efficient manner. At the same time, providing excellent quality service and creating a film-friendly environment are at the forefront of all its activities.

The corporation makes its investment decisions with the following outcomes in mind: employing Nova Scotians, spending funds in the province, promoting the province internationally with positive spin-offs resulting in other areas such as tourism, allowing Nova Scotians to tell their unique cultural stories, and demonstrating an opportunity for the corporation to recoup some or all of its investment.

Local filmmakers employ residents of the province all year, train these employees in the skills required for film production, tell local stories, and create Nova Scotian intellectual property, which guarantees reinvestment of profits back into the province. In addition, local producers create the industrial base required to support the foreign or guest production activity that takes place in the province.

The Programs Department works closely with producers providing ongoing coaching and support in the areas of development and production financing.

The second category of programs involves a Locations Department, which markets the province as a place to film. The efforts of the Locations Department result in attracting fully financed productions and co-productions to Nova Scotia. The Locations Department maintains an extensive library of photographs representing the entire province, and the corporation fills numerous location requests throughout the year. Locations packages include information on Nova Scotia, services available, locations photographs, and the *Nova Scotia Film and Video Production Guide*. The corporation produces this high-quality informative guide to film and television production in the province, which is a key tool, used by producers and production companies when considering shooting in Nova Scotia. The corporation incorporates the images and messages outlined in the Brand Nova Scotia initiative in all of its marketing activities.

The Locations Department is responsible for fostering strong community relationships with the various regions throughout Nova Scotia, as well as organizations that have been or could be involved in the film industry. The primary purpose of these relationships is to educate target audiences about the economic benefit that film production will bring to their communities/organizations; promote, collectively, the various regions of the province in an effort to attract production; ensure that communities, organizations, and individuals are familiar with filming procedures so they are prepared to handle productions prior to and upon their arrival; ensure fair and equitable treatment both for communities/organizations and the productions themselves and mediate any concerns that may arise; and ensure that the corporation is aware of policies, guidelines, and applications that exist so that its clients' questions can be effectively answered.

The Locations Department is responsible for fostering strong relationships with the various industry organizations that represent personnel involved in production activity. These include, but are not limited to, ACTRA, IATSE 849, IATSE 667, and the DGC. The primary purpose of these relationships is to solicit input from the private sector on best approaches for marketing and promoting the province, to give and receive feedback on industry issues and past production activity, to work together in securing productions for the province, and to update the respective stakeholders on current production interest and activity.

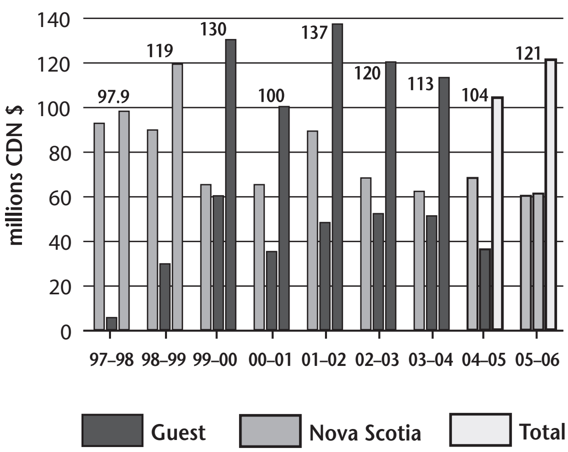
The Finance Department strives to process tax credit applications in a timely manner in order to meet producers' expectations, while at the same time meeting the expectations of the Department of Finance. The Film Industry Tax Credit is a crucial financing tool used by both local and guest filmmakers. Ensuring that the tax credit remains competitive with other provinces is a priority of the corporation.

Investing in both local filmmakers and locations marketing contributes to the development of a stable film industry in Nova Scotia.

The film, television, and new media industry is vibrant and ever changing. Nova Scotia's industry is affected by many external environmental factors. Some of the major factors include a decline in the demand for North American programming in international markets; the introduction of alternative delivery platforms, including computers, cell phones, and iPods; limited production funding; the heightened awareness of the negative aspects of moving production outside of the United States due to the recent downturn in the American industry; the strengthening of the Canadian dollar against the American dollar; and other jurisdictions, both nationally and internationally, which have become more competitive in recruiting guest productions.

The corporation strives to stay on top of these challenges by designing appropriate strategies and solutions to deal with them.

Nova Scotia Film Production Activity Chart 1998 – 2006 (in millions of Canadian dollars)



	NS	vs.	Guest*
	(millions CDN $)		
97–98:	92.5	vs.	5.4
98–99:	89.5	vs.	29.5
99–00:	70	vs.	60
00–01:	65	vs.	35
01–02:	89	vs.	48
02–03:	68	vs.	52
03–04:	62	vs.	51
04–05:	68	vs.	36
05–06:	60	vs.	61

Source: Nova Scotia Film Development Corporation

* Please note that "Guest" production refers to non-Nova Scotia projects filmed in Nova Scotia.
Note: Actual results may vary as these figures are based on budgeted amounts.

Strategic Goals

1. Cultivate the economic and export potential of Nova Scotia's film, television, and new media industry.
2. Provide or support mechanisms for the advancement of Nova Scotia's film, television, and new media industry.

Priorities for 2007–2008

Nova Scotia's film, television, and new media industry uses government assistance to attract incremental investment and create employment. This practice occurs throughout Canada, Europe, Australia, and most other areas, including the United States. Canada does not have the population base or viewers required to maintain a self-sufficient industry under the current business model.

There are other valid reasons for supporting the film, television, and new media industry, which include social, cultural, and national sovereignty benefits. The industry is a key element in a more broadly based, creative workforce; it is labour intensive, environmentally friendly, and appealing to our youth; and it provides employment to individuals with various education levels and a range of occupations. Along with being a multi-million dollar industry, it allows Nova Scotians to preserve their culture and display their talent with pride internationally.

Nova Scotia Film Development Corporation's 2007–2008 Business Plan recognizes the goal of maintaining Nova Scotia as Canada's fourth-largest production centre and the first among "regional" production centres.

Currently, the Nova Scotia film and television industry is on the rebound. Following a decline in activity, production activity in 2005–2006 rose by 16 per cent over the previous fiscal period and totalled $121 million. Stable funding for NSFDC's programs is crucial to helping the industry continue in this regard.

The corporation will implement the 2007–2008 Marketing Plan targeting Los Angeles, New York, and Europe (specifically the United Kingdom) through a variety of activities, including trade missions and familiarization tours. Sponsorship of booths at key markets, including Cannes Film Festival, AFM, and MIPCOM, will continue to play a major role in marketing Nova Scotia's film industry. The corporation will also sponsor ShowCanada 2007, which provides Canadian filmmakers with an opportunity to have their films seen by members of the Motion Picture Theatre Associations of Canada. The corporation will continue to monitor global trends that could affect the local industry and assess all programs and services to ensure that they are responsive to stakeholder and client requirements as well as to the external environment.

Maintaining the corporation's core budget at $3.1 million is vital in supporting the current local production activity. In addition, a significant tool in maintaining production levels is a competitive Film Industry Tax Credit (FITC), which is crucial to the growth of the local industry as well as in attracting guest productions to the province.

With the assistance of the province, the corporation's goal is to continue growing this vibrant and environmentally friendly industry. The province's investment will be able to lever multi-millions of dollars of funds from sources outside the province.

Core Business Areas

1. Economic and Export Potential

Develop Nova Scotia's film, television, and new media industry, with priorities including the following:

Investment Programs

Equity Investments, Development Loans, and New Media

The corporation will invest in a qualifying Nova Scotia film production up to 40 per cent of the production budget spent in the province to a maximum dollar participation of $250,000 per project. This investment triggers other sources of financing and enables producers to make their films while employing Nova Scotians.

The corporation provides development loans up to $15,000 per project to a maximum of 33 per cent of the budget spent in the province. These loans enable producers to develop their ideas to a stage where they can be pitched to investors.

The corporation provides equity investment up to $30,000 per new media project to a maximum of 33 per cent of the budget spent in the province for projects such as CD-ROM, DVD, and Internet-delivered programs that are related to feature film or television projects in which the corporation has an equity investment. In cases where the corporation is not involved in the original feature film or television project, it must be demonstrated that the project has a stand-alone recoupment and financial structure separate from the underlying feature film or television property.

The July 2004 industry strategy identified these investment programs as "very important" for attracting other financing required to complete films.

Bridge Award

The corporation partners with CBC Television, Atlantic Region, to provide the CBC/NSFDC Bridge Award for emerging producers. This juried program is designed to assist emerging producers to enter the industry. Successful applicants receive a $10,000 CBC broadcast licence, a $20,000

NSFDC equity investment, and $10,000 in services from the CBC. Up to two awards are offered in February each year.

Feature Film Distribution Assistance Program

The corporation offers a Feature Film Distribution Assistance Program. The program supports the theatrical release costs of a Nova Scotia–produced dramatic, documentary, or animated feature film in which the corporation has an equity investment. The goal of the program is to enhance the marketing campaign for the feature films and increase the Canadian box office returns.

Market and Festival Assistance

The corporation provides assistance for local producers to attend markets and festivals with the goal of selling completed works, attracting co-production partners for projects in the development stage, and raising the profile of Nova Scotia production companies.

Professional Development Assistance

The corporation provides assistance for local producers to advance their career development through attendance at skills development seminars, workshops, and industry-related programs.

Broadcaster/Distributor Forum

The corporation offers an annual Broadcaster/Distributor Forum, which provides access to national and international broadcasters and distributors and brings relevant industry expertise to the production community.

Locations and Marketing Programs

Marketing

The corporation will implement the 2007–2008 Marketing Plan, primarily targeting established markets such as Los Angeles, New York, and Europe, through a variety of activities including trade missions, participation at festivals and markets, advertising, website, and familiarization tours. In addition, the corporation will continue to research emerging markets such as the United Kingdom to identify opportunities.

Script Breakdown/Locations Library

The corporation provides complete script breakdown services for feature films, movies-of-the-week, television series, and pilots utilizing photos from its extensive library of locations from across the province. Image packages can be sent to producers by courier or digitally via e-mail, and project-specific websites can be created.

Scouting

The corporation provides the services of experienced and qualified location scouts to producers and directors who visit the province in search of suitable filming locations.

Community Liaison and Ongoing Support

The corporation provides assistance with ongoing location research, information, and support as required and will connect producers to local unions, guilds, production personnel, and other contacts throughout the province. In addition, the corporation acts as ombudsman and mediator for the industry and the public.

Film Industry Tax Credit

The Film Industry Tax Credit (FITC) is a labour-based tax credit of 35–40 per cent of eligible Nova Scotia labour capped at 17.5–20 per cent of the total production budget depending on where the production is shot. A frequent filming bonus of 5 per cent of eligible labour is also available for qualifying productions. The tax credit is a key financing tool used by producers to complete their film and television projects and can be accessed by both local and guest producers. The corporation will undertake the necessary research and reporting to ensure the FITC remains competitive.

Partnerships

Atlantic Canada Film Partners (ACFP)

ACFP is a partnership of Nova Scotia, Newfoundland and Labrador, New Brunswick, and Prince Edward Island, formed to increase the profile of the Atlantic Canadian film industry in international markets. This results in increased film and television production activity in the region, thereby generating more jobs in the industry. Through ACFP, producers have access to international marketplaces, strategic professional development, business planning services, and industrial research. ACFP is financially supported by the Atlantic Canada Opportunities Agency.

Strategic Partners

The corporation partners with the Atlantic Film Festival Association to sponsor Strategic Partners, an international co-production and co-venture conference. Strategic Partners provides an opportunity for local industry members to explore international partnership opportunities for television and feature film projects.

Film Advisory Committee (FAC)

The purpose of the Film Advisory Committee (FAC) is to provide a mechanism through which government and industry can work collectively to promote the growth and development of the film and television industry in Nova Scotia. Objectives of the FAC are

- to promote the shared interests of those involved in the film and television industry in Nova Scotia
- to promote a positive image of the film industry in Nova Scotia and a positive atmosphere for location filming in the province
- to encourage co-operation throughout the industry by providing a forum for discussion and decision making
- to review and provide input on legislation, policies, guidelines, and activities that impact the industry

Association of Provincial Funding Agencies (APFA)
APFA represents provincial and territorial film, television, and new media funding agencies from coast to coast and was formed to bring together the viewpoints of agencies that serve both cultural and industrial film, television, and new media industries. This covers companies from fledging to well established, from small to large, and from diverse geographical regions of the country.

International Initiatives Advisory Committee (IIAC)
The IIAC is a partnership of federal and provincial government agencies, as well as the producers' association, Canadian Film and Television Production Association (CFTPA), who work together to enhance Canada's reputation and market share in the international film, television, and new media industry.

Industry Taskforce
The corporation will continue to participate in the Nova Scotia Film Industry Stakeholders Taskforce, which will guide the implementation of the five-year strategy. The taskforce was organized to oversee the creation of a strategy by a third-party consultant, which would guide the development of the industry, as well as outline the economic benefits of the film industry to the province. The corporation, in partnership with industry, will work toward enhancing the competitiveness of Nova Scotia's film and television industry by addressing challenges industry members face in the areas of new media, financing, training, and international marketing.

2. Industry Development

Optimize resources by partnering with government, private-sector, and industry stakeholders to provide professional development opportunities aimed at advancing producers and personnel in Nova Scotia's film, television, and new media industry.

Professional Development

The corporation optimizes financial and human resources by partnering with government, private-sector, and industry stakeholders to provide professional development opportunities, which support the advancement of Nova Scotia's film industry in global markets.

The corporation invests in the continued professional development of Nova Scotia filmmakers through organizations such as the Atlantic Filmmakers Cooperative, the Centre for Art Tapes, the Atlantic Film Festival, the National Screen Institute, and Women in Film and Television.

The corporation offers an annual Business Issues seminar, bringing relevant industry expertise to Nova Scotia producers, as well as other pitching, market-readiness, and business development events.

The FirstWorks Program© is a hands-on film and video production curriculum which is available as a turnkey package for licensing by interested groups or organizations. The goal of the program is to open the doors of the film industry to the youth participants, many of whom obtain employment or advance to further training programs in the film and television industry after completing the program.

In partnership with ACFP, the corporation sponsors annual attendance by local producers at the North American Media Executive Program or other recognized professional development programs.

The corporation will continue to bring leading broadcasters and distributors to the province to educate local producers on priority programming and enable them to pitch their program ideas.

Human Resource Strategy

The province's Corporate Human Resource Plan 2005–2010 identifies respect, integrity, diversity, accountability and the public good as priority values:

- to make a difference through a skilled, committed, and accountable public service
- to be a preferred employer
- to be a safe and supportive workplace
- to be a diverse workforce
- to be a learning organization

The NSFDC has adopted human resources policies modelled on Province of Nova Scotia counterparts in several areas, including personnel, performance management, disclosure of wrongdoing, attendance management, and dress, as well as occupational health and safety. The NSFDC Human Resources program provides for new employee orientation. Its Performance Management Policy is tied to the NSFDC's business plan and involves weekly goal-setting and team meetings, quarterly and annual performance reviews, and a direct link to compensation administration. Core values recognized in the NSFDC Performance Management Policy include communication, innovation, learning and development, quality service, trust and integrity, accountability, and teamwork.

Much of the NSFDC's policies support the goals identified in Nova Scotia's Corporate Human Resource Plan 2005–2010. During 2007–2008, the NSFDC will address the following action items as part of its overall plan:

- development of an employee assistance program
- development of a formal employee recognition program
- development of an NSFDC human resources intranet

Budget Context 2007–2008

The Business Plan maintains a budget at the 2006–2007 appropriation level of $3.1 million. The corporation's funding acts as seed money for production companies. These funds are "first in" funds, which trigger investment from the private industry and federal programs. Real opportunity costs are associated with reduced levels of funding, which include out-of-work Nova Scotians, companies ceasing to operate, and new trainees not being hired.

The film and television industry makes a significant contribution to the province's economy. For each dollar the province invests in funding programs for local production, in excess of $20–25 are attracted to the province from private investors and the federal government, placing the corporation's programs in the position of providing high-value programs at a low cost to the province.

The following budget reflects an appropriation of $3.1 million.

	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
Contributions			
Nova Scotia Government	3,135,700	3,135,700	3,135,700
Recovery of Equity Investments and Development Loans	300,000	300,000	300,000
Atlantic Canada Film Partners/ACOA	21,000	50,000	30,000
Other income	40,000	60,000	60,000
Interest income	25,000	50,000	35,000
	3,521,700	3,595,700	3,560,700
Disbursements:			
Programming	2,781,300	2,847,300	2,747,200
Atlantic Canada Film Partners	42,000	50,000	81,000
Administrative	473,400	473,400	497,000
Advertising and Marketing	225,000	225,000	235,500
	3,521,700	3,595,700	3,560,700
	0	0	0
Administrative Expenses:			
Salaries and benefits	367,000	367,000	398,000
Telephone and fax	10,000	10,000	10,000
Staff training	8,500	8,500	8,000
Bank charges	2,000	2,000	2,000
Consultants	10,000	10,000	10,000
Courier	2,000	2,000	1,500
Dues and fees	8,000	8,000	8,000
Insurance	3,000	3,000	2,600
Conferences and marketing	3,000	3,000	3,000
Board	20,000	20,000	18,000
Repairs and maintenance	2,400	2,400	2,400
Amortization	3,500	3,500	2,000
Office	17,000	17,000	17,000
Copier and fax rental	4,400	4,400	3,500
Postage	5,600	5,600	4,000
Professional fees	7,000	7,000	7,000
Total Administrative	473,400	473,400	497,000

Advertising and Marketing:	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
Business travel	45,000	45,000	45,000
Locations salaries and benefits	101,000	101,000	106,000
Advertising and marketing	35,000	35,000	35,000
Amortization	6,500	6,500	2,500
Familiarization tour and marketing materials	13,000	13,000	20,000
Annual report	4,000	4,000	4,000
Location scouts	9,000	9,000	9,000
Locations Library	7,000	7,000	7,000
Location Services	11,000	11,000	11,000
Production guide	(6,500)	(6,500)	(4,000)
Total Advertising and Marketing	225,000	225,000	235,500

Outcomes and Performance Measures

Core Business Area 1 *Economic and Export Potential*

Outcome	Measure	Base Year 2003–2004	Data 2004–2005	Data 2005–2006	Target 2006–2007	Target 2007–2008	Strategies to Achieve Target
Contribute to Nova Scotia's economy by maximizing, with the resources available, the economic potential of the film, television, and new media industry.	Production activity	$113 million	$104 million	$121 million	To maintain or exceed baseline levels to the extent possible with the available resources.		• Implement the marketing plan • Continue the NS Film Industry Tax Credit • Continue Investment and Development Programs • Keep abreast of changes in the industry and ensure that programs continue to meet the requirements of stakeholders and clients • Provide Film Commission services for guest productions • Implement Industry Strategy

Core Business Area 2 *Industry Development*

Outcome	Measure	Base Year 2003–2004	Data 2004–2005	Data 2005–2006	Target 2006–2007	Target 2007–2008	Strategies to Achieve Target
To assist and promote the development of the film, television, and new media industry producers and personnel in Nova Scotia	Client feedback	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs		• Ongoing research into gaps/overlap in industry and identify solutions • Offer and support professional development initiatives • Implement Industry Strategy
	Level of stakeholder participation—workshop attendance						
	• Business Issues	135	66	60	60–70 [Note 1]	60–70	
	• Broadcaster/ Distributor Forum	40	75	60	46	50–60	
	—pitches	149	188	159	191	150–200	
	• Pitching Workshop	6	25	15	9	8–10	

Note 1. The Business Issues workshop takes place February 7, 2007. The attendance quoted for 2006–2007 is an estimate.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Fisheries and Aquaculture Loan Board
Business Plan 2007–2008

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Mission

To serve, develop and optimize the Nova Scotia fish harvesting and aquaculture industries, for the betterment of our coastal communities and the province as a whole.

Link to the Corporate Path

Through a co-operative agreement between the Fisheries and Aquaculture Loan Board and the Department of Finance, the interest rate of borrowed funds is increased to ensure that the province is continually in a surplus position. For the fiscal year ending March 31, 2006, the loan board surplus was $5.9 million, according to the Office of the Auditor General. With this financial arrangement in place, the loan board can fulfil the expectations and service needs of the fishing and aquaculture industry by providing long-term stable development funding, which will enable the fishers and aquaculturist of Nova Scotia to take advantage of economic opportunities at home to maximize jobs and grow the economy of our coastal communities. The fishery is more than a way of life, it is a successful business; we must strive to keep it productive and internationally competitive.

Planning Context

Nova Scotia is the leading fishing province in Canada, a nation that is known as a world fishing power. We are fortunate to have a diversified industry, which can survive and prosper on its strengths while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately $780 million and a market value of approximately $1.0 billion, and our aquaculture and recreational fishery sectors generate $120 million more. The industry is the main employer in many regions of the province and drives the economies of our coastal communities.

As our fishery moves into the 21st century, we must maintain and enhance the traditional components of the industry that over time have provided us with success. We must build on these segments, seeking out and developing new opportunities in aquaculture, the recreational fishery, coastal zone management, under-utilized species, and the processing sector. Whether it be with areas of provincial jurisdiction or with the marine fisheries, which are administered federally, personnel from the Nova Scotia Fisheries and Aquaculture Loan Board must play an active role to ensure that fisheries policies and management strategies are good for Nova Scotia and the industry in this province.

The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936 by providing long-term stable development funding. Through this board the Nova Scotia government ensures it has a cost-effective, positive, focused, and beneficial influence on the development of the fishing and aquaculture industries of Nova Scotia. The board operates under the authority of the Fisheries and Coastal Resources Act. This act, by its name, emphasizes the coastal community development, which is the focus of the board's operations.

Diversification and technologic advancements in the fishing industry continue to create a demand for newer, larger, and efficient vessels. Existing clients will take advantage of this new technology to improve and upgrade their vessels. This will also result in maintaining a high level of boat building activity.

Strategic Goals

In order to carry out the board's mission and that of the Department of Fisheries, the board is involved in the following four core business areas.

1. Providing long-term fixed-rate loans for the development of the harvesting and aquaculture sectors of the fishing industry

- Government developmental financing is required for the harvesting sector as the chartered banks consider lending to this sector to be high risk. Aquaculture financing is also necessary, as this sector is a developing industry, which the banks believe to be very high risk.

2. Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/equipment loans

- A vessel inspection program is necessary for new boat construction to ensure that the boats are built to rigid loan board standards. Used vessels, modifications, and engine/equipment loans are inspected to ensure that the funds lent are secure in the value of the boat.

3. Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum

- Each and every lending institution must have an effective collection program to reduce arrears and keep write-offs to a minimum.

4. Provide financial counselling and assessments for proposed projects

- Financial counselling ensures that customers manage their income and resources wisely and assists the loan board's repayment record. Project assessments help the industry to be successful and also reduce the potential of delinquent accounts.

Priorities for 2007–2008 by Core Business Areas

In keeping with the goals for the board, Department of Fisheries, and government, the following represents the board's priorities for 2007–2008.

Core Business Area 1

Providing long-term fixed-rate loans for the development of the fish harvesting and aquaculture industries. (Reviewed 118 loan applications during the 2005–2006 fiscal year.)

- Provide $20 million of developmental funding to the fishing and aquaculture industries.
- Continue to assess new loan proposals by applicants.
- Continue to review and amend the loan approval process, to ensure quality program delivery.
- Facilitate the replacement and upgrading of older vessels in each fleet.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, modification and engine/equipment loans. (Carried out 305 new vessel inspections and 513 inspections of another nature during the 2005–2006 fiscal year.)

- Each new vessel is inspected biweekly during construction to ensure that it is built to rigid loan board standards.
- All used vessels financed by the loan board, as well as vessels for modification and engine/equipment applications, are inspected to ensure that they are built to loan board standards. Inspections also guarantee that the funds lent by the loan board are secure in the value of the boat.
- Carry out annual maintenance inspections on loan board–financed vessels to ensure continued loan security and equity.
- Approve builder construction plans and boat specifications to ensure that they meet loan board standards.
- Assist boatbuilders by giving technical advice that relates to the preparation of plans and drawings; also provide technical assistance relating to the construction of new vessels and modification of vessels.

Core Business Area 3

Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum. (The arrears percentage remained the same, 1.33 per cent, as of March 31, 2006.)

- Review loan board arrears on a monthly basis to determine the proper course of action required.
- Continue to write letters and make phone calls and field visits in an effort to collect delinquent accounts. Monthly collection activities reduce the arrears outstanding and minimize write-offs.

Core Business Area 4

Provide financial counselling and assessments for proposed projects.

- Continue to review and analyse applications for funding and various other projects.
- Assess the profitability of financing vessels that engage in the harvesting of non-traditional species.
- Investigate new loan programs with flexible terms that will assist the fishing and aquaculture industries.
- Continue to partner with industry, other lenders, and other government departments to improve financial information and develop combined lending packages for our clients.

Budget Context

Statement of Revenues, Expenses and Accumulated Surplus for the Year-End

	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
Revenues			
Interest income	5,900,000	5,700,000	6,100,000
Loan fees	106,700	106,700	106,700
	6,006,700	5,806,700	6,206,700
Expenses			
Interest expense	3,800,000	3,700,000	3,800,000
Salaries and benefits (net of recoveries)	511,500	623,600	553,100
Board honoraria	7,600	7,600	7,600
Travel	52,300	52,300	53,700
Office expense	17,300	17,300	17,300
Bad debts expense (net of recoveries)	50,000	50,000	50,000
	4,438,700	4,450,800	4,481,700
Operating Surplus before government contributions	1,568,000	1,355,900	1,725,000
Government contributions	4,438,700	4,450,800	4,481,700
Surplus	6,006,700	5,806,700	6,206,700
Distribution to Consolidated Fund of the Province	6,006,700	5,806,700	6,206,700
Accumulated surplus, end of year	0	0	0
Funded staff (FTEs)	9.0	9.0	9.0

Financial Information

	Estimate 2006–07 ($ millions)	Forecast 2006–07 ($ millions)	Estimate 2007–08 ($ millions)
Advances	20.0	20.0	20.0
Principal Payments	14.0	13.6	14.2
Interest Payments	5.9	5.7	6.1
Loans Receivable	90.0	85.0	90.0
Write-offs	.25	.25	.2
Doubtful Accounts	.7	.7	.75
Interest Expense	3.8	3.7	3.8
Net Income	6.0	2.2	6.0

Outcomes and Performance Measures

Core Business Area 1 *Providing long-term fixed-rate loans for the development of the harvesting and aquaculture sectors of the fishing industry*

Outcome	Measures	Data Base Year	Target 2007–2008	Ultimate Target	Strategies to Achieve Targets
Develop new fishery enterprises	Loan advances	2000–01: 18.5 million 2001–02: 19.0 million 2002–03: 20.5 million 2003–04: 22.0 million 2004–05: 25.0 million	Increased annual advances	Increased annual advances	• Work with industry and government • Provide financing for the harvesting of under-utilized species • Loan advances as of March 31, 2006 were $14.0 million
Improve lending programs for the fishing and aquaculture industries	Increase in loan portfolio	2000–01: 53 million 2001–02: 61 million 2002–03: 69 million 2003–04: 72 million 2004–05: 82 million	Annual increase in loan portfolio	Annual increase in loan portfolio	• Support financially viable operations • As of March 31, 2006, the loan portfolio was $80.5 million

Core Business Area 2 *Maintain a vessel inspection program for all new construction, used vessel purchases, modifications, and engine equipment loans*

Outcome	Measures	Data Base Year	Target 2007–2008	Ultimate Target	Strategies to Achieve Targets
Inspect each new vessel under construction biweekly	Number of new vessels inspected biweekly	2000–01: 511 2001–02: 656 2002–03: 505 2003–04: 531 2004–05: 504 2005–06: 305	All new vessels under construction to be inspected biweekly	All new vessels under construction to be inspected biweekly	• Adequate operating budget • Biweekly inspection report • Biweekly progress payments to boat builders
Inspect each vessel that is financed by the board on a yearly basis	Number of vessels inspected	2000–01: 523 2001–02: 512 2002–03: 494 2003–04: 473 2004–05: 412 2005–06: 447	All vessels to be inspected annually	All vessels to be inspected annually	• Adequate operating budget to inspect each vessel yearly • Annual survey report completed on each vessel • Maintain an equity position in each vessel financed by the loan board
Ensure that vessels related to used boat, modification, and engine/equipment applications are appraised biweekly	Number of vessels inspected	2000–01: 106 2001–02: 87 2002–03: 77 2003–04: 51 2004–05: 75 2005–06: 61	Biweekly inspections	Biweekly inspections	• Adequate operating budget to inspect on a biweekly basis • An inspection report to be completed

Core Business Area 3 *Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum*

Outcome	Measures	Data Base Year	Target 2007–2008	Ultimate Target	Strategies to Achieve Targets
Frequent collection activity	Percentage of accounts in arrears	2000–01: 4.1% 2001–02: 3.3% 2002–03: 1.8% 2003–04: 1.3% 2004–05: 1.3%	≤3% arrears level	≤3% arrears level	• Adequate operating budget to collect via monthly field visits • As of March 31, 2006, 1.33% of accounts were in arrears • Sufficient staff to collect monthly
Decrease in arrears level	Percentage of accounts in arrears	2000–01: 4.1% 2001–02: 3.3% 2002–03: 1.8% 2003–04: 1.3% 2004–05: 1.3%	≤3% arrears level	≤3% arrears level	• Fisheries loan board loans secure in the value of the boat • Loan balances reducing as per repayment schedule • As of March 31, 2006 1.33% of accounts were in arrears

Core Business Area 4 *Provide financial counselling and assessments for proposed projects*

Outcome	Measures	Data Base Year	Target 2007–2008	Ultimate Target	Strategies to Achieve Targets
Harvesters successfully expand their operations	Percentage of annual write-offs	Percentage of annual write-off (.25%) (base)	No increase in write-off amounts as a percentage of loan portfolio	No increase in write-off amounts as a percentage of loan portfolio	• Patient lending • Regular client visits • Counselling for fishers and aquaculturists • As of March 31, 2006, write-offs stayed within this range

Appendix A

Key Statistics—2005

Industry Income	
Landed value + aquaculture sales	$725,349 million + 44,013 million = $769,362 million
Average Lobster Income*	
Landed value ÷ licence holders	$404,884 million ÷ 3091 = $130,988 million
Creation and Maintenance of Direct and Indirect Jobs	Estimate 7,865

* See Appendix B.

Appendix B

Latest Commercial Fishery Landed Values for Nova Scotia—2005

Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab
$80,799,000	$40,801,000	$67,025,000	$404,884,000	$49,692,000	$70,760,000

Source: Department of Fisheries and Oceans, Ottawa, Ontario K1A 0E6

Appendix C

Production Sales of Market-Sized Products, 2005

Species	Production (kg)	Value ($)	% of Total Value
Atl. salmon/steelhead* (marine)	5,703,977	$29,551,298	67.1%
Atl. salmon hatcheries/nurseries and speckled/rainbow trout* (Hat.)	216,454	$3,595,505	8.2%
Total Finfish	5,920,431	$33,146,803	75.3%
Blue mussels	2,300,403	$3,059,753	7.0%
American oysters	232,232	$685,542	1.5%
Sea and bay scallops	10,784	$91,006	0.2%
Total Shellfish	2,543,419	$3,836,301	8.7%
Confidential species *			
*Abalone	(c)	(c)	(c)
*Arctic char	(c)	(c)	(c)
*Ocean and bay quahaugs	(c)	(c)	(c)
*Clams	(c)	(c)	(c)
*Eels	(c)	(c)	(c)
*European oysters	(c)	(c)	(c)
*Halibut	(c)	(c)	(c)
*Marine plants	(c)	(c)	(c)
*Striped bass	(c)	(c)	(c)
*U-fish—rainbow trout	(c)	(c)	(c)
Total Confidential	**670,267**	**$7,029,917**	**16.0%**
Grand Total	**9,134,117**	**$44,013,021**	**100%**

*(c) To maintain the confidentiality of individual producers, production figures for species with fewer than three growers are not listed separately in this data.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Nova Scotia Gaming Corporation

Business Plan 2007–2008

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Mission

To lead a socially responsible and economically sustainable provincial gaming industry for the benefit of Nova Scotians and their communities.

Planning Context

NSGC operates in a competitive environment where innovation and corporate social responsibility are the keys to future growth and success. Consumers are faced with an array of choices of where to spend their discretionary entertainment dollars, and the regulated gaming industry must offer a strong-value proposition in order to successfully compete. The public demands that government offer regulated gaming in the most socially responsible manner possible, and NSGC must continue to demonstrate that it excels in this area in order to retain the social licence to operate and to offer new products to the market that demonstrate Nova Scotia's world leadership in responsible gambling.

To meet the above objectives, NSGC must continue to offer consumers gaming products that are fun, are relevant, and provide entertainment value. This is particularly important given that players have thousands of choices available to them, including both regulated and unregulated gaming sites beyond Nova Scotia's borders. This increasing competition from games poses significant challenges as many of NSGC's products are in the mature phase of their product life cycle and have lost some portion of their relevancy to the market. This issue heightens the need for NSGC to innovate and to invest appropriate resources to ensure the success of the regulated gaming industry in this province.

As with many consumer products, NSGC's revenues are dependent upon consumers buying its products. This year, NSGC is assuming modest economic growth in the province, combined with stable interest rates and gas prices. History has shown that major economic impacts can be detrimental to NSGC's revenues. Further, tourists visiting Nova Scotia contribute to revenues when they include a visit to a gaming venue during their stay. Tourism visitation to the province was down in 2006–2007, resulting in a decrease in revenue from this segment. Visitation is not expected to rebound in 2007–2008, and therefore, this impact is reflected in the budgeted performance for the casino business line.

The province introduced a Comprehensive Tobacco Strategy in 2001, resulting in a 100 per cent smoking ban, which took effect December 1, 2006. NSGC and its operators fully support the 100 per cent smoking ban and have proactively taken measures to ensure complete compliance. The impact of this change will result in reduced revenue in both the video lottery and casino business lines, and there could be material variance to budget depending on the actual behavioural changes of players.

As in many industries, corporate social responsibility is a critical part of the business model of the gaming industry in Nova Scotia. A key supporting plan in this area is government's A Better Balance: Nova Scotia's First Gaming Strategy, which was also, in fact, Canada's first integrated gaming strategy. The cornerstones of the five-year strategy are increased problem gambling resources, enhanced prevention efforts, and greater accountability and transparency surrounding gambling activities in the province.

In addition to the Gaming Strategy, NSGC launched its Social Responsibility Charter in October 2006, which outlined the corporation's commitment in five pillars:

- Responsible gambling
- Integrity and security
- Citizens and communities
- Corporate governance
- Stakeholder relationships

These pillars outline what social responsibility in Nova Scotia looks like, what is expected of NSGC as a socially responsible corporate citizen, what NSGC's commitment is in meeting these expectations, and how operators and retailers will contribute to the industry as a whole achieving these outcomes.

NSGC has ensured alignment to the Social Responsibility Charter in its business efforts for 2007–2008. In particular, the charter's focus on responsible gambling, enhanced prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2007–2008 fiscal year as an opportunity to build on its measurable progress and successes to create an even more socially responsible gambling environment for Nova Scotia and to evolve the future of gambling in this province.

Strategic Goals

NSGC has three strategic goals to support the achievement of its mission and vision.

Goal 1: To pursue a sustainable gaming industry

NSGC will ensure responsible economic return to the province by

- accruing direct financial benefits to government, the shareholder of NSGC
- utilizing sustainable business models and making evidence-based decisions that incorporate responsible gambling in the design, delivery, promotion, and use of its products
- optimizing benefits to communities, businesses, organizations, and individuals across the province

Goal 2: To foster social responsibility in all aspects of NSGC's operations and business decisions

NSGC will advance its social responsibility agenda by

- leading responsible gambling initiatives to provide Nova Scotians with the information required to make informed decisions
- contributing to communities across the province
- being an excellent employer

Goal 3: To ensure accountability is at the forefront of NSGC's management and communications to its stakeholders and to all Nova Scotians

NSGC will provide strong management and accountability by

- ensuring timely and complete communication to the media, public, and stakeholders
- managing the business of gaming in an efficient and effective manner
- making responsible, evidence-based decisions

Core Business Areas

NSGC's core business functions are as follows:

- Develop social and economic strategies that align with the Social Responsibility Charter and support the achievement of identified goals and outcomes.
- Oversee the operations of its operators, the Atlantic Lottery Corporation (ALC) and Great Canadian Gaming Corporation (GCGC), as well as lead the implementation of responsible gambling programs at the customer level.
- Foster strong communications with key audiences, including the shareholder, stakeholders, and the public.

NSGC performs a number of key activities in carrying out the following functions.

1. Responsible Industry Development:

Our goal is to develop the gaming industry in Nova Scotia by managing the policy decisions of government in the most responsible way possible. We focus on initiatives that will develop a balanced and socially responsible industry that is sustainable and benefits all Nova Scotians. There are three aspects to this activity:

- Planning and Policy Development—NSGC has, and will continue to explore new opportunities through planning and policy development. The main focus of this element is to create an environment that is conducive to a sustainable and socially responsible gambling industry in Nova Scotia and aligns with the province's Gaming Strategy.

- Responsible Product Implementation—NSGC is committed to continuing to make evidence-based decisions in assessing changes to the current product and gaming environments and utilizing responsible gambling and problem gambling experts to assist in this process.
- Social Responsibility—NSGC is a world leader in responsible gambling and will continue to dedicate significant resources to the research, development, and implementation of progressive and groundbreaking responsible gambling initiatives.

2. Operations Management:

This involves the progressive and effective management of NSGC's gaming businesses—ticket lottery, video lottery, and casino gaming. The three key elements under this activity are as follows:

- Operator Management—Effective management of the operators' businesses as they relate to Nova Scotia is a critical function for NSGC to ensure that there is alignment of efforts and that priority initiatives are completed as planned.
- Risk Management and Quality Control—This involves proactive risk management and effective quality control of NSGC and its operators' operations and business environments.
- Compliance Management—Compliance management is a key component of a well-run gaming industry. NSGC ensures that all its businesses conform with applicable legislation, regulations, contracts, and policies.

3. Public and Stakeholder Communications:

NSGC is accountable to the people of Nova Scotia. This involves the complete and timely communication of information to meet NSGC's high standard of openness and transparency.

Priorities for 2007–2008

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2007–2008:

- **Casino—**The casinos will focus marketing efforts on appealing to the social, occasional gamer by offering an exciting entertainment product that includes musical acts as well as improvements to food and beverage offerings. The Halifax casino will offer even more and bigger entertainment acts, affirming its position as Atlantic Canada's premier entertainment destination. A fun, exciting gaming experience will be created leveraging the strategic capital investments that were made in 2006–2007 to offer new slot games and technology and to expand opportunities to play the ever-popular game of poker in a dedicated poker room. The focus at the Sydney casino in 2007–2008 will be to offer a unique gaming experience in a competitive market emphasizing new, exciting games in a fun environment tailored to the local clientele and supported by excellent services and hospitality.

- **Ticket Lottery—**The ticket lottery business is considered to be one of NSGC's most mature and socially responsible business lines. Given its mature state, reinvention is the key priority in 2007–2008, including a strategy of implementing new products and a renewed focus on better understanding ticket lottery consumers in order to provide the products that they want, where they want them, and with an experience that demonstrates the value proposition of ticket lottery products.
- **Video Lottery—**The focus of the video lottery business line is to stabilize the operations following the implementation of the Gaming Strategy initiatives and the 100 per cent smoking ban. A further reduction in the number of VLTs will occur with the removal of additional machines through attrition over the next one to two years, to bring the total removed to 1,000 VLTs. This represents a 30 per cent reduction in the number of VLTs in retail locations. NSGC will continue to explore alternatives to provide information to VLT players about their play so that they can make informed choices as well as to improve the operating standards of this business line.
- **Linked Bingo—**As part of NSGC's Charitable Sector Support Program, Linked Bingo will continue in 2007–2008 with more bingo halls offering this exciting product. Linked Bingo enhances charity bingo by offering larger linked jackpots that allow charitable organizations to raise money to fund their projects and good works.

2. Foster Social Responsibility

NSGC is committed to ensuring the successful delivery of all initiatives outlined in the action plan that accompanies its Social Responsibility Charter. When the concept of social responsibility is applied to this industry, the first consideration that comes forward typically arises from issues related to responsible play and the prevention of problem gambling. It is incumbent upon the gaming industry to concentrate on giving players the tools they need to make informed decisions, which experts indicate helps to facilitate responsible gambling behaviour, which in turn helps to prevent the next generation of problem gamblers. The cornerstone of NSGC's social responsibility commitment is, and always will be, responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into existing corporate structures and processes. Every aspect of business and every new program must ensure that the principle of net positive benefits will be met. This may often require innovative solutions to challenges inherent in the gaming industry.

Our operators, the Atlantic Lottery Corporation and Great Canadian Gaming Corporation, are also committed to expanding our social responsibility reach. They played an important part in the development of the charter, and their participation in its continued evolution is essential.

The charter includes NSGC's Responsible Gambling Strategy, the objective of which is to provide programs, products, and services to consumers and the public that will empower them to make informed decisions. This will work to prevent future problems and sustain the casual social player base and help to build a healthy and sustainable industry in Nova Scotia.

By following the charter and the accompanying Responsible Gambling Strategy, Nova Scotia and NSGC's role as a world leader in responsible gambling education, awareness, and programs will continue.

NSGC's commitment to responsible gambling will be demonstrated by an array of responsible gambling initiatives, including broad-based and targeted education programs, such as the following:

- Responsible Gambling Awareness Week
- Friends4Friends Social Marketing Campaign
- Know the Score
- Responsible Gambling Resource Centres at the casinos
- Informed Player Choice System (IPCS) for VLTs

Other initiatives in 2007–2008 include those aimed at getting information and tools in the hands of players at the point of purchase, including the pilot of a player-management tool within the casino business line to assess its effectiveness in facilitating informed choice in that environment.

NSGC will continue to be a significant contributor to Nova Scotia's communities in 2007–2008. A key element in this area is the Support4Sport program, which will raise approximately $2.0 million in 2007–2008, a 50 per cent increase in the amount of funding currently going to amateur sport in Nova Scotia. This money will be used to buy sports equipment, create recreation/participation programming for all ages, support performance training programs for competitive athletes and hire coaches at all levels.

Other community funding includes the following:

- sponsorship of community organizations and events
- support to the Harness Racing Industry
- funding of Nova Scotia Cultural Federations, Exhibition Association of Nova Scotia and Sport Nova Scotia

3. Ensure Accountability and Communications

Gaming in Nova Scotia produces significant direct benefits for Nova Scotians, including the direct employment of approximately 1,000 people and the injection of $44.4 million in retail commissions to local Nova Scotia businesses. In 2007–2008, NSGC will provide $156.9 million in revenue to fund provincial programs in areas such as health care and education. Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to run in an effective and efficient manner.

As NSGC is a public company, its operations must be transparent, with timely and open communications to Nova Scotians. In addition to building on its extensive public reporting and consultation in the 2006–2007 fiscal year, NSGC will further enhance its website to serve as an important interactive resource for those looking for information about responsible gambling and the gaming industry in Nova Scotia.

Performance 2006–2007

1. Pursue a Sustainable Gaming Industry

Ticket lottery is the most mature business line in NSGC's portfolio. In order to support the sustainability of this product line in 2006–2007, significant effort was placed on enhancing its performance, with specific initiatives including the change in prize structure in the ever-popular Scratch'n Win tickets and the launch of a new daily draw game. NSGC also launched the first in its Support4Sport ticket series, the proceeds from which will be used to support amateur sport in the province.

In the video lottery business line, the focus in 2006–2007 was on monitoring the effect of implementing government's Gaming Strategy initiatives and in particular, the four VLT-related initiatives (the reduction in hours of operation, the removal of 800 VLTs, the removal of the "Stop button" feature, and the 30 per cent reduction in the speed of play).

The casino business line made some significant enhancements in 2006–2007, building the foundation for the long term by positioning the Halifax casino as Atlantic Canada's premier entertainment destination and the Sydney casino as a unique gaming experience in the local market. Key elements to rejuvenate the casinos included

- enhancing the table game offerings, including adding a new poker room and new tables
- refocusing marketing efforts around "Live the Thrill" in Halifax and "Where Friends Play" in Sydney
- enhancing entertainment offerings with live, local entertainment on the casino floor
- enhancing food and beverage offerings
- implementing new slots technology to support new games and enhanced ticket-in ticket-out technology

2. Foster Social Responsibility

In 2006–2007, NSGC continued its focus on social responsibility and building on its strong and demonstrated commitment to responsible gambling. Several key initiatives were completed and many others started that will come to fruition in 2007–2008 and beyond. Highlights include the following:

- Nova Scotia's fifth annual Responsible Gambling Awareness Week (RGAW) was held October 1–7, 2006 and targeted seven communities (Halifax Regional Municipality, Cape Breton Regional Municipality, the Municipality of Digby, the Municipality of Lunenburg, Truro, Millbrook, and Membertou), which represented approximately 60 per cent of Nova Scotians. More than 2,800 people were reached directly by attending the Responsible Gambling Conference, Youth Gambling Prevention Summit, Community Consultation Sessions, Responsible Gambling Councils, Interactive Community Education Displays, speaking engagements, and/or performances of the high school drama *Caught in the Game*. The tremendous efforts of those involved in RGAW 2006 resulted in 72 per cent of target community residents being aware of responsible gambling activities, 84 per cent supporting the concept of a Responsible Gambling Awareness Week, and 68 per cent agreeing that RGAW demonstrates NSGC's commitment to responsible gambling.
- Know the Score, an interactive, peer-led awareness program, continued to visit post-secondary schools around the province in 2006–2007. The Responsible Gambling Council's program is designed to provide college and university students aged 19–24 with the facts about gambling, including the risks involved, how to avoid the risks,

how to identify signs of a gambling problem, and where to get help for a gambling problem in their local community. NSGC's sponsorship allowed a total of 18 campuses to be visited in 2006–2007, which is up from the 14 campuses visited in 2005–2006. A number of evaluation results reflect a successful outcome, including that 86 per cent of respondents increased their awareness of signs of problem gambling and 87 per cent increased their knowledge of how to limit their risks.

- NSGC sponsored the delivery of the Responsible Gambling Council's *Caught in the Game*, a compelling high school drama about a first-year university student who becomes more and more focused on his next bet. A Nova Scotian production of the drama was performed at 10 high schools across the province in the spring and at six schools in Halifax Regional Municipality in the fall, reaching 4,300 students. The drama was performed by a Nova Scotian cast and was directed, produced, and moderated by Nancy Regan, a well-respected local television personality. Evaluation of the spring tour was positive, with 76 per cent of students agreeing they were more aware of ways to avoid problem gambling and 80 per cent agreeing they were more aware of where to get help for a gambling problem.
- The province's second Responsible Gambling Resource Centre (RGRC) opened at the Sydney casino in June 2006 (the first RGRC, at the Halifax casino, opened October 2005). The centre focuses on providing information, education, and when appropriate, linkages to resources including voluntary self-exclusion and counselling in the community. The centre has been very well received by casino visitors and staff alike.
- NSGC continued its research into the Responsible Gambling Device (RGD) concept. The RGD is an individual console that can be attached to an electronic gaming machine—such as a video lottery terminal (VLT)—and incorporates the use of a card to provide players with responsible gambling features such as setting spending limits, reviewing historical spending, and specifying times when the player wants to be limited from gambling. An extensive pilot test began in the spring of 2005 and ran for most of the year, with the appropriate monitoring and evaluation mechanisms in place to support the determination of the effectiveness of the features and related technology. Based on the positive results reported from the research, NSGC is going to explore alternatives to provide this type of customized player-specific information to VLT players so that they can make informed choices.

- NSGC launched a three-month pilot test of a social marketing campaign called friends4friends in January 2006. This multi-faceted advertising campaign was developed by the Responsible Gambling Council to alert young people between 19 and 29 years of age to the risks of gambling and how to help a friend with a gambling problem. Ads were placed in university papers, youth-oriented newspapers, transit shelters, banner ads on high-traffic Internet sites, 30-second pre-movie ads in theatres across the province, and TV ads during youth-oriented programming. Evaluation of the pilot was conducted in 2006–2007 and the results were extremely positive. Seventy-three per cent of young adults surveyed agreed the ads made them think twice about the consequences of gambling and 95 per cent supported the ads' messages. As a result of the campaign's success, it was re-launched in November with the addition of a friends4friends "street team." By visiting university campuses and sports games, the street team added an interactive component to the campaign, which ran until March 2007.

3. Ensure Accountability and Communications

There is continued emphasis on NSGC's responsibility to inform the public about the activities of the gaming industry and to report to its shareholder, the Government of Nova Scotia. NSGC provided written correspondence on a number of initiatives to relevant municipalities, chambers, and other gaming jurisdictions to provide information deemed relevant and timely on responsible gambling initiatives and business-related updates. Also, over the last year, many of NSGC's staff met with key stakeholders to ensure a reciprocal understanding of the gaming industry's challenges and opportunities.

NSGC met with senior representatives of the Atlantic Lottery Corporation and Casino Nova Scotia, on a monthly basis in order to monitor activities and ensure compliance with regulation, responsible gambling activities, and their respective 2006–2007 business plans.

In 2006–2007, NSGC was very active communicating with the media, public, and other key audiences, responding to more than 122 media/public inquiries, encompassing various topics and issues.

Budget Context

	Forecast 2006–07 ($,000)	Estimate 2007–08 ($,000)
Revenues		
Ticket Lottery	214,100	221,200
Video Lottery	150,500	144,200
Halifax Casino	74,500	71,400
Sydney Casino	22,200	23,800
Other Income	300	300
	461,600	460,900
Expenses		
Ticket Lottery	152,400	159,100
Video Lottery	25,300	21,400
Ticket and Video Lottery Retailer Commissions	45,200	44,400
Halifax Casino Expenses	66,000	61,500
Sydney Casino Expenses	17,500	18,800
Responsible Gambling Programs	3,200	4,400
NSGC Operating Expenses	3,100	3,300
	312,700	**312,900**
Net Income Before Distributions	148,900	148,000
Distributions to Community Programs		
Harness Racing Industry	1,000	1,000
NS Health Promotion and Protection	4,100	4,200
Nova Scotia Gaming Foundation	700	700
Support4Sport Program	400	2,000
Department of Agriculture	50	50
Department of Tourism, Culture and Heritage	50	50
Charitable Sector Support Program	300	400
	6,600	8,400
Net Income After Distributions	142,300	139,600
Casino Win Tax	17,600	17,300
Payment to Province	159,900	156,900

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure (2006–07)	Target 2007–08	Target 2010–11	2007–08 Strategies to Achieve Target
Economic Sustainability	• Total payment to province	• Actual to budget	• $159.9 million (+/–10% of budget)	• $156.9 million (+/–10% of budget)	• $151.8 million	• Monitor operators to ensure compliance to business plans
	• VLT as % of total net income	• Stabilize % of net income from operations	• 55%	• 54%	• 54%	• Introduce new ticket lottery products and entertainment enhancements to the casino business
	• Commissions to retailers	• $ amount	• $45.2 million	• $44.4 million	• $46.6 million	
Social Responsibility	• Awareness of responsible gambling activities	• % of public aware of responsible gambling activities	• 65%	• 70%	• 75%	• Enhancement of Responsible Gambling Awareness Week
	• Awareness of NSGC as sponsor of responsible gambling initiatives/ messages	• % of Nova Scotians who cite NSGC as sponsor of responsible gambling initiatives/ messages	• 10%	• 20%	• 30%	• Implement key community outreach programs
	• Implement responsible gambling programs	• # of effective/ researched responsible gambling programs introduced	• 2 per year	• 3 per year	• 5 per year	• Launch of responsible gambling programs for high-risk populations
Accountability	• Response to routine access requests for information	• % response within two business days	• 100%	• 100%	• 100%	• Sound operations management
	• Reports submitted on or prior to legislated deadlines	• % of NSGC and operator reports provided before due date	• 100%	• 100%	• 100%	• Targets to be incorporated into employee personal performance plans
	• Introduction of socially responsible products	• # of products introduced with social responsibility assessment	• 100%	• 100%	• 100%	• Social Responsibility Assessment

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Government Fund Limited
Business Plan 2007–2008

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Mission

To fund alternative delivery initiatives for government.

Planning Context

The Nova Scotia Government Fund Limited (NSGFL) was incorporated on December 16, 1994, under the Companies Act (Nova Scotia). It was approved as a government-administered venture capital fund pursuant to the regulations issued under the Immigration Act.

The January 4, 1996, offering memorandum contains investment restrictions that make it difficult to find qualifying projects. The offering states, "The Fund will be restricted to making investments directed to the privatization of public services and may include operation of food services in hospitals, laboratory services to health care facilities and other projects that will result in economic benefit to Nova Scotia."

Over an extended period, NSGFL continued to actively look for appropriate investments within the limitations of the offering memorandum. The opportunities for investment were further hampered by the significantly low interest rates available from other sources that had decreased the attractiveness of the NSGFL funds for investment

Nonetheless, the NSGFL was able to identify two investment projects required to meet the federal program requirements. Funds, when not invested in projects, have been safely placed where they can be accessed as qualified investment opportunities occur.

NSGFL will confine their efforts to adhering to the policies of the federal legislation relating to the fund and ensuring that the funds are invested in appropriate projects that meet the objectives of the fund. This will permit the NSGFL to repay the immigrant investors in July 2007 and to proceed with the winding up of NSGFL prior to the end of the fiscal year.

Strategic Goals

The goals of the NSGFL for the fiscal year 2007–2008 are as follows:

Goal 1

To ensure that the funds of all investors are safely invested.

Goal 2

To direct the Nova Scotia Department of Finance to continue to invest any funds not invested in qualified projects in liquid Canadian securities until such time as the investors' promissory notes come due.

Goal 3

To prepare for repayment of matured notes as the federal requirements are met and to prepare for wind-up of the fund following repayment of notes.

Core Business Area

The core business area of the NSGFL is to invest the funds already raised through the offering memorandum in qualified investments as outlined by both Citizenship and Immigration Canada and the offering memorandum.

Priorities for 2007–2008

- To ensure that the funds belonging to the investors are safely and soundly invested
- To satisfy the requirements of the federal regulations relating to the program, thereby allowing NSGFL to complete its mission and be wound down during the fiscal year

Budget Context

Expenses incurred by the NSGFL are offset against interest earned by investments.

Outcomes and Performance Measures

NSGFL is a mature government-administered venture capital fund approved pursuant to the regulations issued under the Immigration Act. Through the Board of Directors of NSGFL, the prime emphasis with the fund is to ensure that it is properly invested in safe investments that meet the requirements of the offering memorandum. At this stage in the fund's existence the emphasis is placed on the maintenance of proper monitoring of the assets and investments to ensure that federal requirements are met in a manner that will permit the repayment of the balance of the investor notes during the fiscal year, thereby also permitting the wind-up of the organization.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Harness Racing Incorporated
Business Plan 2007–2008

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Mission

The Nova Scotia Harness Racing Advisory Committee is responsible for evaluating how best to invest the government funding provided while moving the harness racing industry to a more competitive, self-sufficient funding position.

Performance in 2006–2007

During the 2006–2007 fiscal year, a total of 85 live race dates with an increased number of dashes per race date were achieved with the assistance provided by the Government of Nova Scotia. This assistance was also responsible for the successful Atlantic Sire Stakes races.

The track in Sydney, Tartan Downs, did not open for the 2006 racing season. Horsemen travelled to Inverness to race, with some traffic to and from Truro as is normal. Business ran quite smoothly between horse owners and track management at the two tracks in 2006–2007. The Inverness racetrack was able to deal with the extra horses by building temporary stalls and increasing the number of dashes per race date; however, as this gradually eroded the purse pool, the number of races had to be cut back, resulting in some horses having to "sit out." The Sydney horsemen are working with a matinee track in North Sydney with the intent to race there in 2007–2008. Truro has had a surplus of horses for a couple of years now, the problem increasing in the winter when some tracks shut down. Again, this erodes the horsemen's purse pool. While in the past Truro raced year-round, they were closed for the month of February 2007 in order to salvage the purse pool.

2006–2007	Processed Claims
Special Stakes Races, Inverness, Truro	$ 17,500
Atlantic Sire Stakes	$ 221,100
Nova Scotia Stakes Series	$ 22,975
Atlantic Breeders' Crown	$ 15,000
Purse Subsidy Reimbursement	$ 567,025
Matinee Tracks & 4H	$ 5,000*
Maritime Provinces Harness Racing Commission	$ 100,000*
Operational Costs (meeting expenses)	$ 1,400 *
Liaison Officer	$ 50,000*
Projected Total For 2006–2007 Fiscal Year	$ 1,000,000

* Projected expenditures

The racino facility in Charlottetown is up and running. The Charlottetown Racino complex sets a much higher standard for grandstand facilities to attract new patrons.

The Liaison Officer continues to divide his time between carrying out tasks for the Nova Scotia Harness Racing Industry and the Maritime initiative.

Strategic Goals

- Strive to improve the product, namely live harness racing, to be competitive in the entertainment market.
- Maintain improved relationships between racetrack management and the horsemen to treat each other as partners rather than adversaries.
- Secure adequate long-term funding through government liaison and corporate sponsorships.
- Improve media coverage of both live racing events and the industry generally.
- Encourage continuing quality in the Standardbred horse for the harness racing industry.
- Use the Nova Scotia Harness Racing Industry Association to provide leadership for the industry in Nova Scotia.
- Work towards expanding the product into additional fields beyond live racing events and offer alternative forms of gaming and sports to generate interest and income through improved "entertainment centres."

Core Business Areas

Entertainment and Standardbred horse genetics have been the core businesses of Nova Scotia Harness Racing Inc.

Entertainment

The entertainment aspect consists of three components:

1. live racing events/ pari-mutuel wagering
2. simulcast wagering/telephone account wagering
3. gaming/video lottery terminals

There is a need to grow the business in each component so that more funds are available for harness horse owners. Greater incomes will peak interest in investing in the genetics aspects of the industry and drive values of breeding stock upwards.

Pari-mutuel betting is a fundamental source of funding of the live racing events and a key attraction for those keenly interested in the gaming aspect of live harness racing.

Simulcasting of racing events beyond the local racetracks continues to be a major supporting funding source for the industry, making up 88 per cent of wager income. Teletheatre locations for 2006 were located at Cinder's Bar & Grill, Amherst; The Hub Athletic Club, Sydney; Chuggles Restaurant, Angtigonish; Exhibition Park, Goodwood; Sackville Superbowl, Lower Sackville; Rollie's Wharf Restaurant & Lounge, North Sydney; and the Meridian Hotel, Sydney. The Canadian Pari-Mutuel Agency reduced its requirements for racetracks to be eligible to establish teletheatres to less than 50 race dates and has to be approved by the Maritime Provinces Harness Racing Commission. Smaller racetracks such as Inverness can now negotiate sites within their market areas, and that has been taking place.

Video Lottery Terminals (VLTs) continue to be viewed as integral to the development of raceway entertainment centres.

Nova Scotia's industry recognizes that track sites cannot survive with only live racing and simulcast events and that they must become entertainment centres that appeal to a broader section of the public. The VLT restrictions in Nova Scotia could become an obstacle, but industry views the change in ownership of the casinos as positive.

Genetics

Maritime-bred horses continue to do well when competing outside the region. Standardbred horses represent a rural economic development opportunity. Horse production facilities can be established on sites where other forms of agriculture cannot exist, because horses have an aesthetic appeal. The breeding, rearing, and training of the Standardbred horse are key activities for both the farming communities of Nova Scotia and the live racing events at the province's three raceways. Plans are in the works to establish stakes races for colts and fillies born or bred in Nova Scotia.

Budget Context

Revenues	Actual 2005–06 ($)	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
NS Funding	1,000,000	1,000,000	1,000,000	1,000,000
Total Revenues	1,000,000	1,000,000	1,000,000	1,000,000
Expenditures				
Special Stakes	27,500	27,500	17,500	Breakdown is undetermined at this time
Atlantic Sire Stakes	179,000	200,000	221,340	
Purse Subsidy Reimbursement	621,500	567,025	567,025	
Maritime Provinces Harness Racing Commission	109,785	121,000	100,000	
Operational Costs-Meeting Expenses	1,136	1,500	1,400	
4-H and Matinee Tracks	3,587	5,000	4,750	
Nova Scotia Stake Series	—	12,974	22,975	
Liaison Officer Position (includes participation on Maritime HR Development Council)	49,951	50,000	50,000	
Atlantic Breeders' Crown	7,538	15,000	15,000	
Total Expenses	999,999	1,000,000	999,990	1,000,000

Forecast Background

With only two tracks providing live racing, there were 85 live race dates for 2006–2007. Officiating costs are projected to be down for 2006 with only two tracks and Truro shutting down for February. Industry would like to see the funds for officiating provided to the Maritime Provinces Harness Racing Commission (MPHRC) from the Maritime Premiers Office rather than the industry fund that expense.

A Nova Scotia stakes series was initiated in 2006 in an effort to encourage local breeders to produce high-performance racehorses and provide racing opportunities for these local products and a local product for simulcasting. It was a new budget subject in 2006–07.

The liaison officer position will utilize the full amount budgeted in 2006–2007.

Operating costs–meeting expenses (exclusive of administration costs) to manage the fund will come in below allocation and are projected to be $1,400.00. The 4-H and matinee track fund came in slightly under budget at $4,746.50. Because of Truro shutting down in February and the fact Tartan Downs didn't open, the officiating cost will be significantly lower, but anticipate that, if three tracks are racing next year, costs will have increased for travel and wages.

Outcomes and Performance Measures

Core Business Area 1 *Entertainment*

Outcome	Measure	Base Year	2006–07	2007–08 Target	Strategies to Achieve Target
More live races	Increase in live races from base	2002: 100 race dates	85 race dates*	Increase live race events	Long-term agreements
More horse owners	# of owners	2002: 403 owners	500	525	Improve income for owners
Increased bet	Amount of bet	2001 gross bet: $12.8 million	Total wager: $7.7 million*	Increase gross bet by 10% over base year	Promote industry to grow fan numbers
More entertainment	Attendance	2001: 70,000	71,000*	Higher attendance	Expand entertainment options

*Closure of Tartan Downs during 2006. Horsemen travelled to Inverness and Truro Racetracks.

Core Business Area 2 *Genetics*

Outcome	Measure	Base Year	2006–07	2007–08 Target	Strategies to Achieve Target
More horses in race cards	Horse population	2001: 480 Standardbreds	680 racing	720 racing	Improve promotion of industry
Greater interest in horse ownership	Avg. price at yearly sale	2001: $4,400	$4,900	Increase prices of NS-bred horses	Promote the Nova Scotia Stakes

Background Information for Targets

- Live race dates at 85 for 2006, but 30 more dashes were held, reflecting higher horse numbers.
- Horse owner numbers continue to grow.
- Attendance was up slightly in 2006 for the two racetracks at Truro and Inverness; the Nova Scotia Stake Series may have contributed to this increased interest.
- Total wager was down from previous year with the closure of Tartan Downs.
- There were more horses in race cards at Inverness and Truro racetracks.
- Fall sale of Standardbreds remains stable.
- The long-range business plan for the industry is valid.
- Horse owners and racetrack management at the province's two racetracks continue in a co-operative working relationship and demonstrate a unified position in the industry association.
- Harness racing proposed for Northside (Cape Breton County Exhibition location, North Sydney for 2007) with 30 race dates approved by the MPHRC.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Housing Development Corporation
Business Plan 2007–2008

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Mission

To provide financing for government's social and supported housing programs.

Introduction

The Nova Scotia Housing Development Corporation, created in 1986, provides financing for government's social and housing programs. It is responsible for holding the province's social housing assets and consolidating the revenues and expenditures associated with operating these assets.

Governed by the Nova Scotia Housing Development Corporation Act, the corporation's activities include

- the acquisition and disposal of real estate
- negotiating agreements
- borrowing and investing funds
- lending money and guaranteeing payments
- mortgaging property

The Minister of Community Services is the corporation's Chairperson, and the Deputy Minister is the President. The staff of the Department of Community Services carry out the management and administration functions of the corporation, but are not direct employees and receive no remuneration from the corporation.

Link to the Corporate Path

In setting the planning direction for the 2007–2008 fiscal year, the government has developed a Corporate Path. The Corporate Path, described below, lays out the foundation for a prosperous Nova Scotia by setting a direction that focuses on creating winning conditions, seizing new economic opportunities, and building for individuals, families, and communities.

The Corporate Path's Direction and Priorities

Vision: Building for Families, Building for the Future

Creating Winning Conditions	Seizing New Economic Opportunities	Building for Individuals, Families and Communities
Globally Competitive Business Climate	Leader in Information Technology	Healthy, Active Nova Scotians
Globally Competitive Workforce	Leader in R&D and Innovation	Accessible Services
Globally Competitive Connections	Leader in Clean and Green Economy	Safe Communities Vibrant Communities

The work of the Nova Scotia Housing Development Corporation is aligned with building for individuals, families, and communities.

Core Business Areas

The corporation's core business functions are

- managing the province's social housing funds and assets
- providing financing to social and supportive housing projects
- negotiating agreements and securing funding to enable the delivery of housing programs

Strategic Goals

The goals of the Housing Development Corporation are to

- foster healthy communities through innovative housing solutions
- ensure access to a supply of safe, appropriate, affordable, and sustainable housing

Priorities for 2007–2008

The Nova Scotia Housing Development Corporation secures the necessary funding and manages the related assets that enable the Department of Community Services to provide programs that address the housing needs of Nova Scotians. The following priority is in addition to the many ongoing activities that Community Services staff carry out on behalf of the corporation.

Priority: Policy Development

Beginning in 2007–2008, the corporation will be assessing its current lending practices and identifying new lending opportunities that will enable government to maximize its investment in social and supported housing. This multi-year project will begin with preliminary background research with the goal of having a clear position, mandate, and policy on mortgage lending.

Budget Context

The following two tables provide information on the corporation's funding and expenditures.

Nova Scotia Housing Development Corporation Funding

Funding Source	Estimate 2006–07 ($,000)	Forecast 2006–07 ($,000)	Estimate 2007–08 ($,000)
Revenue from Government Sources	115,100	98,800	117,900
Revenue from Rents	49,500	50,300	50,600
Interest, Revenue from Land Sales and Other Revenue	3,000	3,500	3,500
Total Funding	167,600	152,600	172,000

Nova Scotia Housing Development Corporation Expenditures

Expenditure Source	Estimate 2006–07 ($,000)	Forecast 2006–07 ($,000)	Estimate 2007–08 ($,000)
Interest on Long-Term Debt	31,000	27,000	26,000
Property Management and Operations	44,000	42,600	43,900
Maintenance and Capital Improvements	27,500	26,100	28,700
Housing Renovation and Affordable Housing	28,100	13,200	24,300
Transfer to Housing Services*	19,500	28,900	35,000
Amortization of Investment in Social Housing	14,500	11,800	11,100
Administration Fee and Cost of Land Sold	3,000	3,000	3,000
Total Expenditures	167,600	152,600	172,000

* Under the terms of the Canada–Nova Scotia Social Housing Agreement, CMHC transfers the federal subsidies to the corporation monthly. A portion of this funding is then transferred to the Programs Division of the Department of Community Services for social housing program subsidies. In addition, gross program expenditures under the Affordable Housing agreement and the New Home Renovation agreement are included in the forecast and estimate amounts.

Outcomes and Performance Measures

Core Business Area *Manage the province's social housing funds and assets*

Outcome	Measure	Data	Target 2007–08	Target 2010–11	Strategies to Achieve Target
Financial reserve funds are adequate, risk of loss to the province is minimized.	% of co-operative housing organizations that achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic, and physical condition	2005–06 (BY): 63%[1]	68%	75%	• Implement a process to conduct visits with the co-ops on a three-year cycle to monitor performance based on ranking criteria. • Implement an inspection process, based on five-year intervals, to assess the level of reserve funding and ensure that plans are in place for capital replacement. • Explore early intervention practices.

Core Business Area *Provide financing to social housing projects*

Outcome	Measure	Data	Target 2007–08	Target 2010–11	Strategies to Achieve Target
Government has additional options in managing capital financing for government sponsored housing.	Number of social housing projects receiving financing assistance and/or mortgage guarantees	2005–06 (BY): 10 projects at a total borrowing of $12.87 million	Assist a minimum of three housing projects per year.	Assist a minimum of three housing projects per year.	• Assess current lending practices and identify new lending opportunities. • The corporation will continue to foster and pursue partnering opportunities with other departments and government agencies.

1. Based on 85 per cent of the portfolio; information on remaining 15 per cent not yet available.

Core Business Area *Enabling the delivery of social housing programs through funding agreements*

Outcome	Measure	Data	Target 2007–08	Target 2010–11	Strategies to Achieve Target
More households are in s afe, appropriate, affordable, and sustainable housing.	% of the public housing budget allocated to the maintenance and capital improvement of the province's public housing	2005–06 (BY): 25.3%	Maintain at 20% or more	Maintain at 20% or more	• Continue implementation of maintenance regime based on regular inspections using a combination of contracted labour and staff resources. Update multi-year capital works plans and schedule work to ensure completion of construction projects within fiscal year.
	Number of households assisted through funding made available under the Housing Renovation Program Agreement.	March 2006 (BY): 874 units, 74 beds	Maximize the benefits associated with housing repairs for those most in need, based on the funds available in each fiscal year.	Maximize the benefits associated with housing repairs for those most in need, based on the funds available in each fiscal year.	• Utilize the full annual funding available for renovation programs.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Lands Inc. (NSLI) Harbourside Commercial Park Inc. (HCPI)
Business Plan 2007–2008

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Mission

NSLI — To prioritize for action, assess, and—where necessary—remediate provincially owned properties with the objective of returning these lands to a useful and usable condition with no substantial safety or environmental concerns.

HCPI — To develop and maintain a commercial park comprised of properties formerly owned by Sydney Steel Corporation (Sysco). This mandate will include maintenance of buildings and grounds where necessary and the sale and lease of real estate for commercial purposes.

Planning Context

NSLI and HCPI report to the Minister of Transportation and Public Works, Province of Nova Scotia, and maintain their main office at Sydney, Nova Scotia, along with a presence at the department's head office in Halifax.

In recognition of the planned wind-up of Sydney Environmental Resources Ltd. (SERL) and the major reduction in the mandate for Sysco, it was determined that future activity related to the continued remediation of Sysco's property would be conducted by NSLI and future activity related to the development of Sysco's property that had been remediated would be conducted by HCPI. Both NSLI and HCPI were incorporated in fiscal 2006–2007 and will effectively begin operations April 1, 2007.

Approximately 65 acres of the former Sysco site has been completely decommissioned and remediated. It is anticipated that this property will be sold to HCPI effective March 31, 2007. HCPI will manage the process of selling and/or leasing this property to commercial users and will manage existing tenants currently in place.

The remainder of the Sysco site will be remediated over time by NSLI. As additional parts of the site are cleaned and available for sale or lease, it is intended that Sysco will sell such property to HCPI at that time.

Neither Sysco nor SERL will continue active operations subsequent to March 31, 2007. It is expected that SERL will be wound up during fiscal 2007, while Sysco will continue as an entity pending the resolution of outstanding legal actions.

The new corporate entities, NSLI and HCPI, will be guided by important key principles. These principles include strict attention to environmentally safe practices, a strong commitment to the health and safety of workers, respect for local communities, adherence to fiscal responsibility and public accountability, and the practical use of local labour and supplies.

In addition to conducting the remediation of the Sysco property, NSLI will work in partnership with provincial government agencies and departments, as it plays a new role and provides management, operation, security, and administrative services in the remediation of environmentally challenged sites under the control of the Province of Nova Scotia.

Strategic Goals

NSLI's Strategic Objectives

NSLI's overall strategy is to advance the province's objectives with respect to decommissioning, remediation, and future use of the former steel plant site, as well as other provincially owned properties. The underlying goal of NSLI will be to protect the province's interests and its fiscal position regarding environmentally challenged sites.

More specifically NSLI will

- continue the remediation of the former Sysco site until completed
- assist in prioritizing provincially owned sites under its mandate to ensure that present public safety issues or serious environmental concerns are high on the action list
- maintain appropriate health and safety policies and practices in order to minimize the potential risk of injury to workers, visitors, tenants, suppliers, and others who may visit the sites
- pursue marketing strategies for air-cooled blast furnace slag and other by-products of steel making in order to maximize the financial return to the province
- assess and where necessary remediate provincial lands for future uses in an environmentally sound manner, meeting the province's obligations and strengthening relations with the local communities
- maintain adequate security on sites to prevent the loss of provincial property and site assets, as well as maintaining safe conditions

HCPI's Strategic Objectives

HCPI's overall strategy is to advance the province's objectives with respect to establishing a fiscally viable commercial business park at the former steel mill site.

More specifically HCPI will

- develop Harbourside Commercial Park into a premier commercial park through marketing and site development
- provide business and other opportunities to the communities of the Cape Breton Regional Municipality.
- expand and evolve the site as property is remediated and returned from NSLI
- maintain sound health and safety practices in order to minimize the potential risk of injury to workers,

visitors, tenants, suppliers, and others who may visit the site

- maintain adequate security on the site to prevent the loss of provincial property and site assets
- establish a subsidiary Crown Corporation, "Sydney Utilities" to manage the liabilities associated with the existing major water treatment and distribution utility, located in Sydney River. This subsidiary would also manage the former Grand Lake water system, which may be reactivated to provide a process water supply to Harbourside Commerical Park.

Core Business Areas

The following are the eight core business functions of NSLI and HCPI.

Former Sysco Site Rehabilitation

Demolition of the site infrastructure has been completed, and the environmental remediation of the property is well advanced. The majority of steel plant assets have been sold or disposed. Some areas require continued ESA (environmental site assessment) studies and may need further remediation.

Former Sysco Site Redevelopment

As the Sysco site is remediated, work will continue to evolve the property into useful and valuable real estate that will be managed by Harbourside Commercial Park Incorporated.

HCPI Operations

The location of HCPI is ideal as a commercial business park. HCPI's core objectives are the continued development and operation of the park and all associated buildings and facilities. HCPI's core objectives are the continued development and operation of the Park and all associated buildings and facilities, including a subsidiary company (Sydney Utilities) to manage water supply to the Park facility.

Nova Scotia Sites Review and Prioritization

The sites mandated to NSLI need prioritization in terms of those requiring attention. Prioritization will be based on public and safety hazards, potential environmental impacts, site aesthetics, public interest, and commercial value.

Nova Scotia Sites Assessment

Based on the prioritization, some properties will require ESAs or additional physical assessment. Physical assessment may include locating buried hazards, underground tunnels, or ground subsidence.

Nova Scotia Sites Remediation

Remediation involves developing and implementing remediation or restoration plans as required. It may include removal of hazards, site levelling and grading, soil and seed application, tree planting, remediation of contaminated soils, redirection or treatment of ground waters, or other activities.

Nova Scotia Sites Security and Safety

NSLI will hold to high standards of health and safety in order to minimize the risk to its workers, visitors, tenants, suppliers, and any others who may visit sites. The corporation will also undertake initiatives to prevent the loss and/or damage of provincial property by protecting site assets.

Sale of Air-Cooled Blast Furnace Slag and By-Products and Disposal or Sale of Other Assets

Blast furnace slag, blast furnace flue dust, electric arc furnace slag, and open-hearth slag were produced as by-products of the steel-making process. Presently there remain several hundred thousand tons of these products on the former steel mill site. It has been demonstrated that several of these products are valuable as construction aggregates, filter media, and cement aggregates. NSLI will market these various products as well as other miscellaneous assets of Sysco.

Priorities for 2007–2008

Former Sysco Site Rehabilitation

Corporate Path:

2.2 Leader in R & D and Innovation

2.3 Leader in Clean and Green Economy

- Complete Phase III ESA in former steel shop area.
- Complete Phase II and III ESAs in former scrapyard area.
- Complete Phase III in former rolling mills area.
- Finish remediation of north end area (HAZCO).
- Remediate other areas (pending ESA results).
- Grade and cap electric arc furnace dust pit.
- Remediate bloom mill soaking pits.
- Remediate high dump sludge.
- Complete underground fuel pipe removal.

Former Sysco Site Redevelopment

Corporate Path:

1.3 Globally Competitive Connections (infrastructure)

2.3 Leader in Clean and Green Economy

3.4 Vibrant Communities

- Complete greening project on the south end of site.
- Install rail through the east/central area of site.
- Extend Inglis Steet and Wabana Streets to the Cross Road.
- Landscape areas adjacent to new roads.
- Open Sydney Port Access Road to the public.
- Re-align fencing, releasing cleaned and remediated real estate to HCP. This will include all lands to Cross Road.

HCPI Operations

Corporate Path:

1.1 Globally Competitive Business Climate

1.3 Globally Competitive Connections (infrastructure)

3.4 Vibrant Community

- Locate tenants for the commercial park.
- Continue to enhance the front end of the Sysco site through infrastructure development and aesthetic enhancement making the site attractive to business and community.
- Complete restoration of buildings designated for use in the park.
- Develop and implement marketing strategies promoting the commercial park and its assets.
- Create a new HCPI website as a sales and information tool promoting the park.
- Assist the Whitney Pier Historical Society in their efforts to develop a walking trail adjacent to the park, making resources and land available where possible.

Review of Other Former Sysco Properties

Corporate Path:

2.3 Leader in Clean and Green Economy

- Review all available documentation related to sites
- Meet with those with vested interest (Natural Resources, Transportation and Public Works, etc.) who may have knowledge of the sites and may have already identified issues or have had assessments done.
- Where possible, physically visit and walk any identified sites where health and safety issues could be of concern.
- Develop a priority project list for future remediation consideration.

Nova Scotia Sites Assessment

Corporate Path:

2.3 Leader in Clean and Green Economy

- Undertake physical assessments, if required, on selected sites.
- Initiate CCME-based Phase I ESAs, if required, on selected (higher priority) sites.

Nova Scotia Sites Remediation

Corporate Path:

2.3 Leader in Clean and Green Economy

- If issues are identified, develop a priority list to remove public safety hazards at prioritized sites.

Nova Scotia Sites Security and Safety

Corporate Path:

3.3 Safe Communities

- Ensure that all policies and procedures are in place to maintain the lowest possible accident rate.
- Hold "toolbox" meetings with area supervisors and staff at least weekly and document meetings.
- Perform at minimum monthly health and safety inspections on work areas.
- Establish Health and Safety Committee(s) where appropriate ensuring such committees are dynamic and effective in maintaining or improving health and safety.
- Secure assets associated with sites in order to minimize the province's potential for loss.

Sale of Air-Cooled Blast Furnace Slag and By-Products and Disposal or Sale of Other Assets

Corporate Path:

1.1 Globally Competitive Business Climate

2.3 Leader in Clean and Green Economy

- Arrange for the sale and/or demolition of the fluidized bed hazardous waste incineration complex and other pieces of related equipment remaining.
- Sell a minimum of 125,000 tonnes of air-cooled blast furnace slag, moving into alternative-use markets for the product.
- Promote testing and use of blast furnace flue dust as a component in cement mixes. Support investigation into this product's usefulness as an additive to tarponds stabilization mix.
- Promote sale and use of other by-products.

Budget Context

Nova Scotia Lands Inc.

Harbourside Commercial Park Inc.

Revenue	**Estimate 2007–2008 ($,000)**
Rent	750
Revenue from Sysco	17,195
	17,945
Expenses	
Payroll	1,000
Consulting	410
General and Administration	1,975
Security	300
Demolition and Environmental Remediation	13,995
	17,680
Surplus (Deficit)	265

Outcomes and Performance Measures

Core Business Area *Former Sysco Site Rehabilitation*

Outcome	Indicator	Measure	Target: 2007–08	Strategies to Achieve Target
Deploy resources to execute projects, manage engineering and services, and assure regulatory compliance				
Master Health and Safety Plan	Comments from reviewers	Final plan accepted	100%	• Completion and approval by senior management
Continue with ESA (environmental site assessment) studies	Receive ESA reports	Accept ESA reports	75%	• Prepare RFPs and manage ESA contracts
Removal of all final scrap metals	Contracts for removal and recycling	Removal is complete	100%	• Prepare RFPs for sale of material
Continue with solidification/ stabilization (Hazco) contract	Contaminated material treated	Percentage of contaminated material treated	100%	• Manage existing contract
Fluidized bed incineration complex decommissioned	Removal of material	Site is clear of material	100%	• Manage demolition contracts

Core Business Area *Former Sysco Site Rehabilitation (continued)*

Outcome	Indicator	Measure	Target: 2007–08	Strategies to Achieve Target
Removal of underground piping	Contract awarded	Material is recycled	100%	• Manage contracts
Inventory of other former Sysco lands		Number of sites identified	All properties	• Review Sysco and DNR files
Identify potential health and safety issues related to other lands		Health and safety issues identified	All properties	• Aerial photography and site visits of various properties

Core Business Area *Harbourside Commercial Park Operations*

Outcome	Indicator	Measure	Target: 2007–08	Strategies to Achieve Target
Property management, leases, property sales, and management of contracts				
Continue development of commercial park	Additional services on line	Additional property available for sale or rent	65 acres	• Management of various contracts
Turnover of infrastructure (roads, sewer, water) to municipality		Acceptance by CBRM	All of Phase I infrastructure	• Meetings and legal correspondence with CBRM
Sale of developed industrial lots	Surveys completed	Number of deeds prepared	4 lot sales	• Marketing activities
Rental of office space		Number of inquiries	15 leases finalized	• Marketing
Promotion of park facility		Number of inquiries		• Promotional material prepared

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Liquor Corporation
Business Plan 2007–2008

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Purpose

Bringing a world of beverage enjoyment to Nova Scotia.

Mandate

The NSLC is governed by the Liquor Control Act (LCA) of Nova Scotia. This act mandates the responsibilities of the NSLC to our shareholder—the people of Nova Scotia. The most fundamental element of the NSLC's role derived from the LCA is that the NSLC is solely responsible for the receipt of all beverage alcohol available throughout Nova Scotia. In order to ensure the safe and responsible consumption of alcohol, any products sold through NSLC stores, agency stores, private wine and specialty stores (PWSS), licensees, and private importations must be received through the NSLC. Through this mandate, the government ensures that the product is available only to Nova Scotians of legal drinking age. The legislation also describes four other key responsibilities of the corporation:

- attainment of acceptable levels of customer service
- promotion of social objectives regarding responsible drinking
- promotion of economic objectives regarding the beverage alcohol industry in Nova Scotia
- attainment of suitable financial revenue for the Government of Nova Scotia.

The NSLC has developed, based on its legislated mandate, a statement of purpose to guide all employees over the coming years. The NSLC's purpose, vision, and culture statement goes beyond the legislated requirements to describe and inspire our people as to the type of business we wish to become.

We aspire to this through our vision

Vision

- To be recognized as a superb retailer—known for our business performance, customer focus, and vibrant shopping experience, eliciting the pride and enthusiasm of Nova Scotians.

Living our purpose and vision entails a culture that

- encourages innovation, and creativity
- engages employees in achieving success
- is driven by customer needs
- demonstrates respect and dignity in all we do
- is a fun place to work
- advocates intelligent consumption

Planning Context

The NSLC, as a modern retail business, is competing against private-sector retail businesses that are vying for the entertainment dollar of the consumer. The NSLC is competing directly for a share of that discretionary income. Successful retail businesses are providing customers with a complete shopping experience not just product on a shelf. This means constantly evolving store design, improved staff knowledge, product variety, value offers, and personalized service.

The NSLC's future success depends on its ability to respond to these realities and provide shoppers with a retailing experience that meets and exceeds their rapidly evolving needs. The long-term earnings growth resulting from focusing on customer expectations will be achieved through on-going investments in all aspects of the business.

Customer Base

The population base of Nova Scotia declined over the past two years by 0.2 per cent. There are significant changes occurring within the population of the province that impact current and future business practices of the NSLC. Population shifts, in particular, impact the delivery of our retail offering: urban/rural shifts and changes in the age of the population. According to Statistics Canada, Nova Scotia's population growth is occurring primarily in the Halifax Regional Municipality, and the median age of the population is increasing.

Statistics Canada reports show that 77 per cent of the Nova Scotia population is of legal age to consume beverage alcohol. NSLC surveys indicate that 26 per cent do not shop for alcohol. This means the NSLC customer base is about 535,000 people, with most visiting an NSLC store once a month. Forty per cent of NSLC customers visit an NSLC store two to three times a month. Provincial government statistics indicate that the number of potential NSLC customers above 45 years of age grew last year by 0.4 per cent (8,395), while the number from 19 to 45 declined by 1.7 per cent (5,681). Those 45 years of age or above represent an opportunity for the NSLC, since they generally have more disposable income then their younger counterparts. NSLC research also shows a distinct change in consuming patterns for those 55 and over, where wine becomes the beverage of choice.

The NSLC customer base increases with seasonal variations. These include the substantial increase during summer months resulting from the province's tourism industry. With almost half of the tourism visits in Nova Scotia occurring over the four-month summer season of June, July, August, and September, the NSLC is particularly impacted in these months. With 16 per cent of every tourism dollar spent on shopping, the NSLC continues to focus on serving these customers in high periods. The NSLC also has a modest increase from September to May as a result of the return of students to college and university. This is particularly so in the HRM, Wolfville, and Antigonish markets.

The 2,100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges) represent 14 per cent of the NSLC's gross sales. The NSLC is a wholesale distributor of beverage alcohol to these establishments. Private wine and specialty stores and NSLC agency stores represent another 4 per cent of the NSLC's wholesale business.

The vendors and agents of those companies that manufacture the products the NSLC retails and wholesales are critical stakeholders in our business. There are 73 beverage alcohol agencies in Nova Scotia with 135 registered representatives. The NSLC sells 2,600 to 3,000 products from more than 50 countries.

Economy

The NSLC's gross sales are projected to increase by 3.6 per cent for the 2006–2007 fiscal year, of which 2.0 per cent is real growth. For 2007–2008 the NSLC projects gross sales to increase by 4.2 per cent.

The Nova Scotia Finance Department projects Nova Scotia retail sales to grow 4.9 per cent in calendar 2007 and 4.4 per cent in 2008.

The Nova Scotia Department of Finance projects that Nova Scotia's real gross domestic product to grow by 2.3 per cent in 2007 and 2.4 per cent in 2008. Nova Scotia personal consumer spending on goods and services is expected to grow by 4.9 per cent in 2007 and 4.2 per cent in 2008, in nominal terms.

Retail sales comprise 52 per cent of personal consumer spending on goods and services. Nova Scotians' personal disposable income (after deduction of income taxes) is expected to increase 3.4 per cent in both 2007 and 2008.

Nova Scotia employment is expected to increase 0.2 per cent in 2007 and 0.4 per cent in 2008. Retail sales growth in Nova Scotia in 2006 is estimated to be 6.9 per cent.

Tourism plays an important role in NSLC seasonal sales. According to the Nova Scotia Department of Tourism, Culture and Heritage total visits to Nova Scotia were flat in 2006 compared to 2005. In 2004 and 2003 we saw robust cumulative growth of 13 per cent.

Labour Relations

Forty-two per cent of all NSLC employees are unionized, with 81 per cent of full-time employees being unionized. NSLC has three groups of unionized employees, each with its own collective agreement. All three groups are represented by the Nova Scotia Government and General Employees Union

(NSGEU). Unionized employees include select head office staff, all permanent part-time and full-time store clerks, store managers and assistant managers, as well as maintenance staff and most employees in the Distribution Centre. All three collective agreements expire March 31, 2007.

Business Planning

The NSLC introduced a new Five Year Strategic Plan in 2005. The continuous planning process the organization will follow will see this plan revisited each year as the NSLC works towards its goals for 2010. This annual business plan outlines the major annual projects and priorities the NSLC will be focused on delivering in the current year of the five-year plan.

Retail Environment

According to the Retail Council of Canada (RCC), the retail industry is the largest employer in Nova Scotia, accounting for 13.5 per cent of the labour force and more than $10 billion in annual sales.

All retailers are vying for a larger piece of the disposable income of Nova Scotians. The NSLC is no exception. It competes with all retail businesses for this income. NSLC sales are estimated to represent 2.4 per cent of personal consumer spending on goods and services. Retail sales (of goods only) in 2006 are estimated at $11.3 million, of which NSLC sales represent 4.6 per cent of retail sales.

The Nova Scotia Department of Finance estimates that Nova Scotians' personal disposable income (after deduction of income taxes) is expected to increase 3.4 per cent in both 2007 and 2008. This foundation provides the NSLC with its opportunity for growth.

The NSLC measures its reputation and customer satisfaction against all other retail businesses in the province. This rating includes top-of-mind customer impressions of which are the top retailers in the province, which retailers offer the best shopping experience, and a ranking of retailers by actual shopping experience. This is driven by 23 factors behind these impressions.

The NSLC has successfully implemented a strategy that has gained an increased share of disposable income over the past four years. In addition to the increased and improved product offering, the NSLC has made it much more convenient to shop for beverage alcohol. During the past three years, the NSLC has increased access through retail channels by 77 per cent, with an expanded number of stores, increased hours of operation, and an expansion of the Agency Store Program. The co-location of half the store network to a major grocery retailer has dramatically improved shopping convenience for customers and increased customer satisfaction to the point where the NSLC is now viewed by Nova Scotians as one of the top six retail businesses in the province.

In addition to the increased customer satisfaction generated by the execution of our strategic plan, the return to our shareholder in terms of growth has been unparalleled in the NSLC's 76-year history. Since 2002, the NSLC's net sales have increased by 29 per cent ($112 million annually) and net profits by 31 per cent ($44 million annually).

For the remainder of our strategic plan taking the NSLC to 2010, the corporation continues to identify communities and customer segments that are being underserved. Some smaller communities in remote areas are often some driving distance from the closest NSLC store; the NSLC will expand its efficient agency store channel by up to 20 before the summer. Expansion beyond these additional 20 communities will be considered in the context of market saturation versus incremental sales potential. Twenty-three more NSLC stores will be considered for renovation.

In addition, the NSLC is a wholesale distributor of beverage alcohol to the 2,100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges). This business has traditionally represented 14 per cent of the NSLC's gross sales. According to the Canadian Restaurant and Food Service Association, overall sales in this sector declined by 10.4 per cent in 2005 when compared to 2004. NSLC sales to these establishments declined by more than 3 per cent during the same period and remained flat in 2006. The NSLC will increase its focus on serving this segment of its business.

Business Focus

The NSLC has five key elements to its business: (1) supply chain, (2) retail, (3) wholesale, (4) corporate services, and (5) regulatory.

Supply Chain

Like all retail businesses, the backbone of the NSLC is an effective and efficient supply chain. The logistics of getting the product from its point of manufacture anywhere in the world to the Halifax Distribution Centre in Bayer's Lake and then out to retail stores is an enormous undertaking, which speaks to the efficiency of the business. In addition, the supply chain work of the NSLC must also meet the needs of licensees, agency stores, and private wine and specialty stores in order for them to meet their customer needs.

Retail

Once the product is in Nova Scotia, the NSLC is responsible for retailing beverage alcohol to the consumer. It does so through 108 retail stores that range from the traditional NSLC store and the higher-end Port of Wines store to the NSLC Winebasket offering and a new small-store format offering all four product categories. The

NSLC is constantly examining retail market patterns to ensure that the store network is best designed to meet the constantly evolving needs of the consumer.

A key element to retail success is the knowledge, experience, and talents of retail store staff. The NSLC employs over 1,300 people in communities across the province and strives to support and enhance their skills to deliver superior customer service in a vibrant retail environment.

Wholesale

With the exclusive responsibility in Nova Scotia to acquire and distribute beverage alcohol, the NSLC also serves as a wholesaler. The wholesale market makes up approximately 18 per cent of NSLC revenue. The NSLC's wholesale market involves supplying the province's licensees (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol), NSLC agency stores, and private wine and specialty stores (PWSS) with beverage alcohol products.

Corporate Services

The NSLC has a number of corporate services that enable the supply chain, retail, and wholesale functions to operate efficiently and effectively. These include the choice of products offered, the marketing and promotion of those products, the financial management of the business, meeting the human resource needs of the NSLC, the development and maintenance of the NSLC's facilities and store network, the use of information technology to improve the efficiency of the business and facilitate the shopping experience, and the transparent communication of the goals of the organization both internally and externally.

Regulatory

The NSLC is responsible for aspects of the Liquor Control Act relating to regulating the activities of manufacturers, their representatives, and non-consumer (commercial/industrial/institutional) uses of alcohol. Every manufacturer or their agent must be authorized by the NSLC to represent and/or market particular products and brands.

A major part of the NSLC's regulatory obligations includes activity related to wineries, breweries, and distilleries manufacturing products within Nova Scotia. The NSLC recognizes the value that these local manufacturers add to the Nova Scotia economy and the great potential that their products offer in markets both local and worldwide. All local producers are able, once permitted by the NSLC, to operate a retail outlet at their place of manufacture. In addition, the NSLC issues special permits for some of these producers to retail their product in areas such as farmer's markets.

The NSLC Customer

The key to any successful retail organization is to know who the customer is, what their needs are, and how to meet these needs and to anticipate how best to serve them in the future. Traditionally as a monopoly, the NSLC viewed its customer to be everyone in Nova Scotia. But this is not the case. For many reasons, approximately 26 per cent of legal drinking age Nova Scotians do not shop in NSLC stores. The result is that the NSLC customer is different in both profile and need from the general population.

Through both quantitative and qualitative research, the NSLC has segmented its customer base in order to offer a better retail shopping experience. Driving this segmentation is the recognition that NSLC customers buy products for specific uses or occasions. The NSLC customer buys for one or more of the following distinct reasons:

1. Celebration: For holidays and special occasions
2. Socializing: With groups of friends, relatives, or colleagues
3. Simple pleasures: At home or after a meal
4. Letting loose: For weekends
5. Savouring: Before and during the mealtime experience
6. Unwinding: At the end of the day, through the week, alone time

These are the NSLC's customer segments. This captures well why the NSLC customer purchases our products. In order to fully understand customer needs, the NSLC also needs to answer who is purchasing for these occasions, what are they purchasing for each occasion, when are they buying, and how much are they spending when they are doing it. When the customer is buying for one of the six occasions segments the NSLC then captures the answers to the above four questions by grouping them into four customer types:

1. Adventurer: Buys different products frequently across categories
2. Loyalist: Buys the same product frequently
3. Discoverer: Buys different products across categories, shopping occasionally
4. Maintainer: Buys the same product, shopping occasionally.

Through understanding the needs of the NSLC customer, the organization will be better positioned to ensure that "the NSLC complements all of life's occasions." This is the essence of the corporation's brand positioning.

Strategic Plan

In 2005 the NSLC released a new Five Year Strategic Plan for the organization that identifies the business objectives through 2010 and also outlines the NSLC's Customer Promise: customer promise.

The NSLC will provide our customers with service that:

- aligns product availability and selection with our customer needs
- is a vibrant, interactive and inviting Nova Scotia shopping experience
- ensures discovery and personal service with friendly and professional staff

The focus of the strategic plan is to "transform the NSLC from a place to buy something into a place to shop."

The NSLC has identified five strategic pillars to guide its operations during the period of the Strategic Plan:

- **Stewardship**

  As a Crown corporation the NSLC is legislated to deliver its business according to the Liquor Control Act. This pillar sets out how the NSLC will deliver on the responsibility entrusted to it by Nova Scotians.

- **Customer**

  This pillar outlines how the NSLC will deliver on its customer promise.

- **Reputation**

  The overall reputation of an organization impacts its financial success. This pillar sets out the NSLC's commitment to enhance reputation and measure progress.

- **People**

  Having the right people, working in an enjoyable and effective work environment, drives success. This pillar sets out how, as a modern retail business, the NSLC will develop its people.

- **Financial**

  This pillar sets out the organization's top and bottom line performance expectations.

Each pillar is accompanied by five-year strategies that will be the organization's focus in achieving its goals outlined in the strategic plan. Each of these strategies has alignment with the priorities of the current fiscal year. The detailed strategies can be found in the NSLC's Five Year Strategic Plan. What follows are the highlights of this year's priorities.

Priorities for 2007–2008

Pillar: Stewardship

Five-Year Goal: To provide Nova Scotians with the Corporate Stewardship entrusted to the NSLC under the Liquor Control Act

2007–2008 Priorities

- Implement a new Nova Scotia wine industry policy.
- Develop an Enterprise Risk Management (ERM) plan.
- Recommend updates to the Liquor Control Act.
- Redesign the internal audit function to align with the new business processes resulting from SAP Retail.
- Finalize and implement recommendations regarding the future of the Private Wine Store model.
- Develop a Corporate Social Responsibility Plan.
- Invest 0.1 per cent of gross sales towards intelligent consumption initiatives.
- Implement the Nova Scotia/Quebec Memorandum of Understanding on beer.
- Roll out to all NSLC business units the Balanced Scorecard measurement tool.

Pillar: Customer

Five-Year Goal: To match the customer experience with the customer promise

2007–2008 Priorities

- Aligns product availability and selection with our customer needs

  – Redesign the pricing structure for all product categories.

  – Broaden the selection available through the wine category through an expansion of one-time-only offerings as well as renewal of the higher-end selection list.

  – Develop a spirits category rejuvenation plan focused on growing volume.

  – Reduce wholesale customer costs through NSLC direct delivery of orders.

  – Introduce targeted wholesale promotions.

  – Create licensee only product list.

  – Operationalize a new Customer Service Centre.

- Is a vibrant, interactive, and inviting Nova Scotia shopping experience

  – Expand chilled beer offering in additional corporate stores.

  – Introduce NSLC regular product tasting program in stores.

  – Review NSLC stores to develop a plan to ensure they are barrier free.

– Develop an Energy Conservation and Green Building Plan.

– Develop a new "distinctly Maritimes" store design for next phase of the network development plan.

– Create NSLC signature stores in major markets.

– Set and measure new store operation standards, including promotion execution, inventory levels, operating hours, sales floor coverage, and cash register service standards.

- Ensures discovery and personal service with friendly and professional staff

  – Introduce a Customer Relationship Program.

  – Expand marketing initiatives to include direct customer communication initiatives.

  – Improve customer responsiveness through a higher level of staff training combining both category knowledge and sales skills .

  – Review/renew the Port of Wines product offering in store.

Pillar: Reputation

Five-Year Goal: To be recognized as a leading retailer in Nova Scotia

2007–2008 Priorities

- Improve NSLC performance as a leading retailer in Nova Scotia.
- Provide transparent and proactive communication of the NSLC's business success.
- Focus on opportunities to gain peer recognition of NSLC business successes.
- Work with other Atlantic Canada liquor boards to create an Atlantic distribution centre for imported products.

Pillar: People

Five-Year Goals:

- To have a highly motivated and engaged workforce
- To develop our workforce, including our leaders, to meet the evolving needs of the corporation
- To have a highly productive workforce

2007–2008 Priorities

- Revise new employee hiring orientation process.
- Introduce Retail Leadership Program at store manager level.
- Introduce a Management Development Program.
- Ensure training and ongoing support for employees regarding the new SAP Retail technology and improved business processes that result.
- Begin new three-level product and sales training to improve the effectiveness of retail sales skills with customer

satisfaction improvements as a primary goal.

- Obtain Level One recognition from the National Quality Institute regarding healthy workplace standards.
- Successfully launch new SAP Retail technology.
- Replace point-of-sale hardware and software.

Pillar: Financial

Five-Year Goal: To reach a 4.1 per cent annual growth rate over the next five years (ending 2010)

2007–2008 Priorities

- To deliver $523.9 million in net sales (this will produce a three-year CAGR of 5.1 per cent)

  – Enhance promotions effectiveness measures.

  – Operationalize a strategic tasting strategy.

  – Introduce a new retail pricing strategy.

  – Review Social Reference Price and category price bands.

  – Launch new point-of-sale system.

  – Develop a spirits category rejuvenation plan focused on growing volume.

- Introduce a Customer Relationship Management initiative to enhance sales

Five-Year Goal: To contribute $215 million to the province by 2010

2007–2008 Priorities

- To return $197.1 million net income from operations to the shareholder

  – Enhance gross margin through purchasing efficiencies.

  – Go live with SAP Retail software and the resulting new business processes.

  – Through effective supply chain management, deliver an overall fill rate of 98 per cent and inventory turns overall at 12, with domestic at 20 and import at 5.

  – Drive supply chain efficiencies through the creation of an interprovincial distribution centre for imported product.

  – Develop SAP Business Analytics.

- Leverage CRM to increase bottom-line returns.

Five-Year Goal: To effectively use our capital

2007–2008 Priorities

- Continue to decrease/eliminate unproductive inventory in both the store network and the Distribution Centre.
- Develop and implement the first year of the new three-year network development plan.

- Utilize the Return on Investment (ROI) hurdle rate model for prioritizing capital expenditures.
- Implement new SAP product ordering forecasting and replenishment processes.

Strategic Enablers

Across the entire business there are a number of key initiatives that the NSLC will focus on this year that are essential elements of moving the organization forward to deliver upon its customer promise and on shareholder expectations. Five important enablers over this year are the operating expense plan, the NSLC brand, the NSLC Corporate Marketing Plan, Category Management Plans, and our business process improvement initiatives.

Operating Expenses

For the 20 years prior to becoming a Crown corporation in 2001, the NSLC's growth, both top and bottom line, was impeded by the lack of investment in the business. The result was technology barely able to keep up with the demands of a modern retail business to the point that fundamental elements of the business were at risk.

The NSLC has increased expenses since becoming a Crown corporation to invest in the long-term health of the business. These investments include capital expenditures for the replacement of the core technology that runs the business, changing from Magstar to SAP, and renewal of the store network. On an ongoing basis, the business requires operating expenditure investments to enhance the supply chain, the introduction of modern marketing and merchandising practices, improved financial reporting and analysis, and training of employees. To date, this investment has yielded a 31 per cent increase in bottom-line performance.

The capital investment this year in SAP will add to our depreciation and amortization over the next five years. In addition, during 2007–2008 the NSLC will make an additional major capital investment with the replacement of the point-of-sale system. This will impact the amortization and depreciation expense line beginning in 2007–2008 and continue over the following four years. The NSLC is also making a major operating expenditure in the 2007–2008 fiscal year to improve service to the licensee community. This initiative will take three years to turn a positive return on investment.

As the NSLC reaches a normalized level of expenditure for a retail business of this size over the next two years, we will see the operating expense ratio (including amortization and depreciation) stabilize at approximately 15 per cent.

The NSLC Brand

The effective implementation of the NSLC brand brings together all customer touch points, leaving an overall impression of the organization to our customers. These include the physical store environment, staff interaction, logo, product selection and availability, promotions and advertising, impressions left by news media, events, and many intangible elements. Every place a customer can interact with your company is a touch point, and that touch point affects how you are perceived. Perception impacts a customer's willingness to respond to a retailer's effort to get them to purchase products.

Brand = Promise + Performance + Perception

The NSLC recently completed rollout across its store network of a new logo, a new look, and new design standards for stores. The essence of the NSLC brand is

The NSLC complements all of life's occasions

From this brand positioning for the company comes the NSLC's tagline:

Make it a social occasion

Building on this positioning and tagline is our marketing magazine Occasions and our customer segmentation approach based on occasion-based purchasing.

Moving forward, the NSLC is going to focus on improving the staff knowledge of the products we sell and improving the overall sales message in the store. In addition, there will be increased focus on providing self-education tools for customers both in-store and through our website, www.thenslc.com, as well as through the NSLC's schedule of special events.

The NSLC brand will continue to evolve and move the organization closer to delivering on the customer promise.

The Corporate Marketing Plan

This year, the NSLC will implement the new Corporate Marketing Plan to help guide the organization in meeting its commitments under the Five Year Strategic Plan. It puts "meat on the bones" of the strategic plan. The Corporate Marketing Plan analyses the business as it currently stands and provides a blueprint as to how the NSLC will reach the goals set out in the Five Year Strategic Plan. This includes details on the customer experience, what is the sales culture the NSLC is trying to create, who is the customer, what is the NSLC's optimum product offer for profitability, and how the organization can maximize financial performance through the use of pricing and gross margin. In addition, the CMP will focus on strategies for targeting customer shift, lift, and frequency.

Multi-year business unit plans, the NSLC annual business plan, and annual business unit plans will use the Corporate Marketing Plan to deliver each part of the business.

Category Management Plans

Leading retail businesses use strategic category management to drive increased profitability and customer satisfaction. This past year, the NSLC implemented its first category management plans in all four product categories. This includes strategies for which product sub-categories the NSLC wishes to grow aggressively, grow strategically, maintain, or harvest. This approach drives store layout, product space allocation, promotional strategy, category reviews, product performance analysis, and store groupings.

These plans describe in detail the strategic choices on product, pricing, promotion, and placement and will enable the NSLC to deliver on its Corporate Marketing Plan and the Five Year Strategic Plan.

Business Process Improvement

Getting better at determining the mix of products customers desire, and ensuring that they are on the shelves when customers need them, is why the NSLC is investing considerable resources this year and next in our core technology and business processes. At the heart of our business processes are our core technologies for product ordering, financial management, human resource management, data warehousing, and the point-of-sale system.

A major focus of the NSLC this year will be the design and implementation of business processes and technology to replace some of these legacy systems. The NSLC has chosen the SAP Retail solution to move the organization forward in this regard. The NSLC purchased this retail software from SAP, the largest worldwide provider of business software solutions. This system is used by many of the world's most successful retail businesses. It will replace the current financial, inventory, and ordering systems used by the NSLC. Our point-of-sale (POS) system is also being replaced during the year. The new software for the POS was chosen in a competitive multi-stage tendering process this past year. The hardware will also be chosen through a competitive tendering process.

These are major projects for any business, which fundamentally change how the work gets done. The new resulting business processes and systems improve decision making and enhance the execution of strategies and operational needs. Over the next two years this will change how we do our business and provide the necessary tools and information to help NSLC achieve its goal of becoming a superb retailer.

Risk Factors

The ability of the NSLC to meet these commitments can be impacted by factors beyond its control. Some of these include the impact that weather throughout the province can have on sales. Severe winter weather has in past years resulted in the closure of stores across the province, reducing overall sales. Unseasonably cool summers, rain, and fog also tend to negatively impact sales.

The beer segment is particularly subject to sales fluctuations in this regard. With 80 per cent of the volume of product sold by the NSLC represented by the beer category, this is an area of great vulnerability to weather conditions.

The products sold by the NSLC are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income and could reduce NSLC sales and overall profitability.

With regard to the risks associated with weather and the economy, the NSLC has put in place monitoring and performance measures to enable management to make decisions mitigating the risk associated with these factors.

Major business process initiatives associated with the implementation of SAP carry inherent risk factors that can temporarily impact product supply and supplier payment when they first become operational. Due diligence has been performed by the NSLC in undertaking this initiative to mitigate possible business interruption.

The replacement of the point-of-sale (POS) system is critical to the business. The NSLC has performed due diligence in choosing the hardware and software, along with the processes for activating the new system. Issues arising from the POS launch could temporarily inhibit the NSLC's ability to process transactions and report sales, causing customer issues and reduced transactions.

The collective agreements with the NSLC's three unionized bargaining units expire March 31, 2007. As with any labour contract negotiation, there is risk of labour disruption if discussions are not productive. If this occurs, delivery of the 07/08 net income target will be at risk.

The Royal Bank of Canada and Moneris supply the clearing system for financial transactions used by the NSLC. These systems rarely fail, even temporarily. However, if they do, the NSLC would be impacted. Mitigation strategies will be developed as part of the Enterprise Risk Management Plan.

The perspective of the Government of Nova Scotia, as the sole shareholder of the NSLC, can impact the NSLC's business plan. Shifts in public policy and the public interest as voiced by the government could impact the NSLC's ability to deliver this business plan as outlined.

The Board of Directors and management have also committed to ensure that appropriate Enterprise Risk Management strategies and processes are implemented during this year.

Budget Context

Financial Plan

	Actual 2004–05 $	Actual 2005–06 $	Forecast 2006–07 $	Estimate 2007–08 $	Change
Spirits	138,031,068	146,511,096	148,885,000	151,870,000	2.0%
Wine	74,152,151	81,794,281	88,850,000	96,800,000	8.9%
Beer	224,344,466	242,597,682	250,800,000	261,210,000	4.2%
Ready to Drink	16,048,807	17,487,170	17,500,000	17,500,000	0.0%
Non liquor	633,054	295,271	175,000	150,000	-14.3%
Total Gross Sales	453,209,996	488,685,500	506,210,000	527,530,000	4.2%
Less: Discounts	2,255,353	2,601,763	3,300,000	3,600,000	9.1%
Net Sales	450,954,643	486,083,737	502,910,000	523,930,000	4.2%
Cost of Sales	216,981,780	233,107,815	241,510,000	247,530,000	2.6%
Gross Profit	233,972,863	252,975,922	261,400,000	276,400,000	5.7%
Less: Store Operating Expenses	41,993,977	45,875,122	46,630,000	49,200,000	5.5%
Gross Operating Profit	191,978,886	207,100,800	214,770,000	227,200,000	5.8%
Less: Supply Chain	5,160,908	4,834,430	5,200,000	5,550,000	6.4%
Corporate Services	13,533,774	17,401,405	16,500,000	18,350,000	10.3%
Other Expenses	4,091,659	4,875,266	5,990,000	5,010,000	-15.6%
Add: Other Revenue	4,833,735	5,741,118	6,400,000	6,500,000	2.4%
Total Expenses (Excluding Stores)	17,952,606	21,369,983	21,290,000	22,410,000	4.1%
Operating Income before Depreciation	174,026,280	185,730,817	193,480,000	204,790,000	5.9%
Less: Depreciation	3,991,970	4,475,489	5,150,000	7,720,000	49.6%
Income from Operations	170,034,310	181,255,328	188,330,000	197,070,000	4.7%
Volume Growth					
Spirits	5,229,430	5,223,280	5,195,000	5,220,000	0.5%
Wine	6,562,865	6,921,595	7,450,000	8,005,000	7.5%
Beer	61,922,196	63,750,549	63,970,000	64,285,000	0.5%
Ready to Drink	2,537,039	2,730,085	2,650,000	2,650,000	0.0%

Outcomes and Performance Measurement

The NSLC will meet or exceed the following key financial performance measure for the organization.

Net Income

	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08	Year 3 CAGR
Income From Operations	$170.0	$181.3	$188.3	$197.1	5.0%

Supporting Operating Initiatives

In managing the business, some of the indicators used to ensure maximum shareholder return is achieved while operating a modern retail business are outlined below.

Customer Satisfaction Index (CSI)

The NSLC has redesigned the CSI in order to provide management with more-specific information on how to improve the customer experience. This study takes 23 shopping attributes and distils them into 10 factors. These factors are then weighted according to what the customer reports is most important to them when they interact with the NSLC.

Baseline performance was established during 2005–2006, with the NSLC customer ranking overall satisfaction at 8.3 out of 10. The NSLC projects that for 2006–2007 the CSI ranking will be 8.5 out of 10. The primary driver for this improvement according to our customers was the shopping experience.

Retail Ranking

The NSLC established a ranking of retailers through an annual survey in 2006. The NSLC ranked fifth for overall shopping experience and seventh as a top retailer in the province.

Balanced Scorecard

The NSLC will introduce detail metrics for managing progress on the business. These metrics include both financial and non-financial performance ensuring alignment with the Five Year Strategic Plan. This scorecard is the key to managing the financial measures of the Five Year Strategic Plan including the 2010 goals of a 4.1 per cent compound annual growth Rate (CAGR) on the top line and the net return to the shareholder of $215 million in 2010.

Net Sales (millions)

Actual 2003–04	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08	Year 3 CAGR
$437.2	$451.0	$486.1	$502.9	$523.9	5.1%

Operating Expense Ratio

Actual 2003–04	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08
13.1%	14.2%	14.8%	14.6%	15.1%

Operating Expense Ratio (excluding depreciation and amortization)

Actual 2003–04	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08
12.3%	13.3%	13.8%	13.5%	13.7%

Net Income Ratio

Actual 2003–04	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08
38.2%	37.7%	37.3%	37.4%	37.6%

Store Operating Ratio

Actual 2003–04	Actual 2004–05	Actual 2005–06	Forecast 2006–07	Estimate 2007–08
8.7%	9.3%	9.4%	9.3%	9.4%

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Municipal Finance Corporation
Business Plan 2007–2008

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Mission

To provide capital infrastructure financing to its clients at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

Link to the Corporate Path

The corporate path is a process of identifying government priorities and direction and linking them with the business planning process. Nova Scotia's Corporate Path focuses on creating winning conditions, seizing new economic opportunities, and building for individuals, families, and communities. The winning conditions targeted are a globally competitive business climate, workforce, and infrastructure. Priority economic targets are leadership roles in information technology, R&D and innovation, and the green economy. The building targets call for healthy, active Nova Scotians, accessible services, and safe and vibrant communities.

The NSMFC's contributions to the Corporate Path priorities are in the area of infrastructure objectives that contribute to the creation of economic opportunities and building safe and vibrant communities. NSMFC loans are used to finance sewage treatment plants, solid waste facilities, and water services that promote clean and healthy communities. Loans are made to finance streets, buildings, recreation services, and the purchase and development of land, all of which contribute to vibrant competitive communities. By working with municipalities to develop recommended financial management practices and adopt North American standards in budget presentation and financial reporting, the NSMFC contributes to the development of a globally competitive mindset.

Planning Context

The corporation faces a number of challenges and opportunities in meeting its strategic goals in the upcoming year.

- The NSMFC must ensure that it has access to capital markets and that it has the financial and administrative ability to meet municipal government demand for capital infrastructure funding.
- Keeping abreast of developments in municipal government capital finance: As a specialist organization, the NSMFC is challenged to develop, maintain, and demonstrate expertise in municipal government capital finance.
- Maintaining financial self-sufficiency: In order to meet its mandate, the corporation must remain economically viable in both the short and the long

term. This includes a matching of assets and liabilities both to amount and maturity, maintaining banking arrangements and credit facilities, credit risk, adequate reserves, and the ability to manage administration expenses within its budget.

- Identifying client needs and responding to them: Opportunities exist to assist municipal governments in Nova Scotia with long-term capital planning and financing options. There is also an opportunity to work with local governments to achieve North American standards in municipal financial management capacity through the adoption of recommended practices and meeting professional standards in budget presentation and reporting.
- Opportunity to develop partnerships with organizations such as the Federation of Canadian Municipalities to provide a conduit for low-cost loans for clients.

The major risk to the corporation is the availability of human and financial resources needed to carry out its mandate. Some resources are directly under the control of the board, whereas others are provided by provincial departments. The NSMFC will continue to work with these provincial departments to align both sets of priorities.

Strategic Goals

The NSMFC's strategic goals are designed to assist the government in its corporate path priorities in the area of infrastructure objectives that contribute to the creation of economic opportunities and building safe and vibrant communities. Capital infrastructure is a major component of economic development in both attracting and retaining business investment and promoting communities that are attractive places to live.

The following strategic goals have been developed to assist the NSMFC in meeting its mission of providing the lowest available cost of financing for municipal capital infrastructure and long-term financial planning and to support the provincial government's infrastructure, economic, and community priorities.

- To provide capital infrastructure financing to our clients at the lowest available cost, within acceptable risk parameters, and to meet their particular debt structure and timing needs.
- To ensure access to capital markets through prudent management of all financial aspects of the corporation, which includes credit risk and asset/liability management.
- To help build financial management knowledge in municipalities and promote municipal capital project planning and financing.

Core Business Areas

1. *Providing capital financing at the lowest available cost*

- Provide financing for clients' approved funding requirements through the issuance of pooled debentures. Pooling of capital requirements allows the NSMFC to issue debentures in capital markets at rates lower than if single issues were placed for clients.
- Provide financing options for clients through the short-term loan and bridge financing programs.
- Facilitate and participate in loans to municipalities from financing sources such as the Federation of Canadian Municipalities Green Fund where funding is available for projects meeting established criteria at below market rates.
- Develop and review policies regarding the corporation's use of financial innovation techniques and instruments.

2. *Prudent financial management of the corporation to ensure access to capital markets*

- Ensure that an acceptable process is in place for evaluating the creditworthiness of the loans made by the corporation.
- Ensure that the corporation's assets and liabilities are closely matched in both amount and maturity.
- Provide prudent administration of the corporation's financial resources to ensure that the corporation's administrative expenses and reserve balances are within approved policies.

3. *To help build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance.*

- Partner with municipal clients, Service Nova Scotia and Municipal Relations, and the Association of Municipal Administrators (AMA) on the topic of capital planning and finance through the identification of relevant professional association resources.
- Develop best practices and models to help build financial management knowledge in municipal government.
- Maintain links with the investment community, public-sector finance practitioners, and academics and carry out research as required to enable the corporation to respond to changing client needs.

Priorities for 2007–2008

The following details the actions, products, and services that the NSMFC intends to carry out in order to fulfil the corporation's mission and meet its strategic goals.

1. *Provide capital financing at the lowest available cost*

- Issue pooled debentures for the approved amount required to meet municipal borrowing requirements and lend a similar amount to municipal units and enterprises. New debenture issuance is expected to be in the $100 million dollar range. This is balanced against retirements of existing debenture in 2007–2008 of approximately $93 million. Pooling of capital requirements allows the NSMFC to access capital markets and achieve pricing based off the Province of Nova Scotia spread.
- Facilitate and participate in loans to municipalities from the Federation of Canadian Municipalities Green Fund where funding is available for projects meeting established criteria at below market rates.

2. *Prudent financial management of the corporation to ensure access to capital markets*

- Obtain verification of creditworthiness from the Department of Service Nova Scotia and Municipal Relations (for municipal borrowers) prior to setting the parameters for pooled issues.
- Match the amount, term, and timing of NSMFC debentures and loans to units.
- Manage the NSMFC's financial resources (budget and reserves) according to policies established by the corporation's Board of Directors.

3. *Help build municipalities' financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance.*

- Continue to provide a leadership role in the Financial Management Capacity Building Committee initiative to promote financial and budgeting policies to municipal governments in Nova Scotia.
- Develop a marketing and promotion strategy to encourage municipal adoption of practices recommended by professional bodies.

- Promote the municipal use of the Debt Affordability Model and provide technical support for municipal administrators. The Debt Affordability model is a tool for use by municipal councils to help answer the question of how much debt is too much debt for their municipal unit. The model can also be used by municipalities for multi-year budgeting and forecasting and analysing revenue and expenditure options.
- Establish committees, as required by the board, to study the merits of new products and services and alternative ways to meet municipal capital borrowing requirements.
- Promote the implementation of the capital investment planning model (CIP) in pilot municipalities through presentations and working with pilot municipalities.
- Work with the corporation's lead managers and other members of the investment community, staff of the Nova Scotia Department of Finance, other municipal finance corporations, and others involved in municipal capital financing, to identify evolving municipal government financial needs and the optimum means of satisfying them.

Human Resource Strategy

Organizations with small staff complements are challenged when developing human resource strategies, particularly in the area of succession planning as the skills requirements for the corporation's positions are diverse. The board's strategy has been to develop and retain existing staff and to build capacity by involving other civil servants in the operation of the MFC through corporate officer positions and secondment opportunities. Development and training opportunities are made available to existing staff to enable them to stay abreast of developments in the industry. The corporation's human resource strategy is aligned with the government resource strategy.

Budget Context

Nova Scotia Municipal Finance Corporation Estimated Budget Expenditures

	2006–07 Estimate (,000)	2006–07 Forecast (,000)	2007–08 Estimate (,000)
Total Program Expenses—Gross Current	$ 391.8	$ 382.2	$ 525.1
Net Program Expenses— Net of Recoveries* (see note below)	$ 0.0	$ 0.0	$ 0.0
Salaries and Benefits—Gross	$ 306.4	$ 294.5	$ 348.4
Funded Staff (FTEs)—Gross	4	3.5	4

* Note: The NSMFC is completely self-funded. The costs of administration are covered through an administrative fee that is levied on all municipal loans and from interest revenue earned on short-term investments.

Nova Scotia Municipal Finance Corporation Balance Sheet as at March 31, 2006 (Audited)

Assets	
Current Assets	
Cash	$ 21,820
Short-term investments at cost	5,301,366
Accrued interest receivable	9,883,629
Other receivables	673
Principal due within one year on loans to units	87,451,864
Long-term Assets:	
Loans to units	621,331,159
Less principal included in current assets	(87,451,864)
Deferred Charges:	
Discount on debenture debt	2,388,291
Less accumulated amortization	(1,847,055)
Total Assets	$ 637,079,883
Liabilities and Equity	
Current Liabilities:	
Accounts payable	$ 32,413
Due to municipal units	140,402
Accrued interest payable	9,851,847
Principal due within one year on debenture debt	87,177,723
Employee obligations	80,520
Long-term Debt:	
Debentures payable	621,069,953
Less principal included in current liabilities	(87,177,723)
Deferred Credits:	
Discount on loans to units	2,381,966
Less accumulated amortization	(1,844,595)
Equity	
Reserve Fund	5,367,377
Total Liabilities and Equity	$ 637,079,883

Statement of Revenue, Expenses and Reserve Fund (year ended March 31, 2006) (Audited)

Revenue	
Interest on loans to units	$ 32,778,611
Amortization of discount on loans to units	188,299
Interest on short-term investments	163,390
Debenture expense recoveries and reserve fees	761,563
Total Revenue	33,891,863
Expenses	
Interest on debenture debt and short-term loans	32,763,270
Amortization of discount on debenture debt	188,917
Debenture issue expense	367,209
Administrative expense	282,552
Total Expenses	33,601,948
Net Revenue	289,915
Reserve Fund, Beginning of Year	5,077,462
Reserve Fund, End of Year	$ 5,367,377

Outcomes and Performance Measures

Core Business Area 1 *Providing capital financing at lowest available cost*

Outcome *(immediate or inter-mediate)*	**Measure** *(Outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(2004 Survey results* form % *baseline data)*	**Target 2007–08**	**Target 2009–10**	**Strategic Actions to Achieve Target**
To provide the lowest available cost of financing to clients in a timely manner	Percentage of clients that are satisfied with the timing and processing of debenture issues				• Monitor alignment of debenture issues with the construction completion schedule and capital budgeting process
	• Regional municipalities	50%	100%	100%	
	• Rural municipalities	75%	90%	95%	
	• Towns	89%	90%	95%	
	Percentage of clients that agree that the debenture terms and structure are flexible enough to meet their needs.				• Promote short-term financing program. Work with municipal units on financing options (payments and term) • Communicate options through the use of web page and consultations
	• Regional municipalities	50%	100%	100%	• Use AMA (Association of Municipal Administrators NS) list service to provide information to clients
	• Rural municipalities	56%	80%	90%	
	• Towns	89%	90%	95%	
Lowest available cost of financing for clients	Quality of credit loans	Procedures ensure creditworthiness of loans	Regular review of loan procedures	Regular review of loan procedures	• Maintain quality of portfolio; promote profile of NSMFC credit quality to maintain strong relationship with government to ensure its support of provincial guarantee
	Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds.	Provincial guarantee allows the MFC to price off the PNS spread	Maintain access to the provincial guarantee	Maintain access to the provincial guarantee	

Core Business Area 2 *Prudent financial management of the corporation's resources to ensure access to capital markets*

Outcome *(immediate or inter-mediate)*	**Measure** *(Outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(2004 Survey results* **form %** *baseline data)*	**Target 2007–08**	**Target 2009–10**	**Strategic Actions to Achieve Target**
Ensure a sustainable source of funding is available for financing requests from clients and to ensure the operational viability of the corporation	Client default rate. Default is defined as failing to make a principal or interest payment within five days of the due date	0	0	0	• Ensure that all loans are creditworthy • Monitor creditworthiness procedures and loan payment processes
	Matching of assets and liabilities. Matching of aggregate amounts, terms, and timing of debentures and loans	Assets and liabilities are closely matched to term and timing	Maintain matching strategy	Maintain matching strategy	• Match the term and timing of NSMFC debentures and loans to clients
	Adoption of a risk management strategy	n/a	Plan adopted	Monitor plan	• Review and revise plan as necessary

Core Business Area 3 *To help build municipal financial management knowledge by encouraging municipal governments to adopt and maintain a professional approach to capital project planning and finance*

Outcome *(immediate or inter-mediate)*	Measure *(Outcome-based; quality, efficiency/productivity, cost-effectiveness)*	Data *(2004 Survey results* form % *baseline data)*	Target 2007–08	Target 2009–10	Strategic Actions to Achieve Target
Use of recommended practices in financial management decision making	Increased awareness of recommended practices for financial management Based primarily on GFOA programs	30% of clients are aware of knowledge-building programs offered by the NSMFC	Post recommended best practices and information on municipal international financial standard awards on the website	80% awareness level	• Regular communication with clients on the work NSMFC is involved in through AMA regional meetings and conferences and MFC web page partnerships • One-on-one calls and field visits to clients to offer advice and assistance • AMA Newsletter
Increased financial management knowledge in municipal units	Broader access to financial resources—efficient use of resources and building of networks among financial administrators		Nova Scotia municipalities participate in GFOA budget and reporting awards	Two Nova Scotia municipalities receive GFOA awards	• Exposure to conferences that develop and promote recommended practices in financial management • Continue to offer financial assistance in sponsoring municipal attendance at annual GFOA (Government Finance Officers Association) conferences • Active participation in joint committees with AMA
NSMFC client awareness of new financial products and features that may help municipal units	Percentage of municipal units that are aware of and satisfied with products offered by NSMFC. • Regional Municipalities (3) • Rural Municipalities (21) • Towns (31)	100% (3) 75% (15) 89% (27)	100% (3) 90% (19) 95% (29)	100% (3) 95% (20) 98% (30)	• Regular communication with clients on the programs that NSMFC is offering through AMA regional meetings and conferences and MFC web page • One-on-one calls and visits to clients to offer advice and assistance

Core Business Area 3 *To help build municipal financial management knowledge by encouraging municipal governments to adopt and maintain a professional approach to capital project planning and finance*

Outcome *(immediate or inter-mediate)*	**Measure** *(Outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(2004 Survey results* **form %** *baseline data)*	**Target 2007–08**	**Target 2009–10**	**Strategic Actions to Achieve Target**
Development and implementation of products and services to respond to client needs	Effective programs directed at clients' needs	Request for program development: Long-term planning models Enhanced financial management practices Innovative financing	Development of programs that meet client needs, including developing 10 recommended practices and implementing 10 RPS	Develop 10 Implement 20 (Cumulative)	• Continue partnering with AMA, municipal units, and SNSMR • Promote debt affordability and capital investment plan (CIP) models
		Educational programs	Nine units implement CIP	All 55 units	• Maintain links with professional associations
			Two units adopt Debt Affordability Model	3 units	• Work with FCM on financing opportunities for municipal projects
			Two units participate in educational sponsorship program	2 units	• Work with SNSMR on new infrastructure projects (NRIF) that would benefit municipalities and MFCs

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Nova Scotia Power Finance Corporation
Business Plan 2007–2008

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Mission

To ensure that the debt of NSPC, which is guaranteed by the province, is discharged in an orderly and timely manner.

Introduction

Under an Asset Transfer Agreement, dated August 10, 1992, Nova Scotia Power Corporation (NSPC) transferred all of its existing assets, liabilities, and equity, except for long-term debt and related sinking funds, to the privatized company Nova Scotia Power Inc. (NSPI) in exchange for matching notes receivable equivalent to outstanding long-term debt, matching notes payable equivalent to sinking fund assets, and an amount of fully paid common shares. The latter were sold in a secondary offering on August 12, 1992.

Subsequent to the reorganization and privatization, the business activities of NSPC continued under NSPI. Concurrently, the Nova Scotia Power Corporation changed its name to Nova Scotia Power Finance Corporation (NSPFC). NSPFC retained the long-term debt, which is guaranteed by the province, and the related sinking funds. The entire original debt of $2,152,879,732, guaranteed by the province, was offset by sinking funds and the balance defeased as per the agreed schedule to December 31, 1997.

In terms of the Nova Scotia Power Reorganization (1998) Act, NSPI was reorganized as a holding company, NS Power Holdings Inc., in December 1998. The holding company structure does not change the underlying obligations under the existing agreements. The holding company changed its name to Emera Incorporated on July 10, 2000.

Planning Context

NSPFC continues to be on target of meeting its mission objective outlined above during the course of the current planning horizon.

Performance in 2006–2007

The outstanding debt continues to be defeased in accordance with the terms of the Defeasance Agreement, and the defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the province.

Strategic Goal

After December 31, 1997, the goal of NSPC is to monitor the adequacy of the defeasance portfolio and to ensure the repayment of all NSPC debt guaranteed by the Province of Nova Scotia, at the respective debt maturities.

Core Business Area

NSPFC is responsible for monitoring the defeasance and repayment by NSPI of its debt guaranteed by the Province of Nova Scotia. NSPFC holds notes payable by the NSPI in case of default of NSPC debt repayment. The final guaranteed note matures February 26, 2031.

Priorities for 2007–2008

1. To ensure continuing progress towards elimination of NSPC debt guaranteed by the Province of Nova Scotia and defeased by NSPI.
2. To ensure the defeasance assets are of such a quality that the defeasance program will have a very high likelihood of achieving its goals.

Budget Context

NSPFC has no employees. NSPI executes necessary transactions to create and maintain the defeasance portfolio. The monitoring of NSPI debt defeasance is performed by a Board of Directors, appointed by the Government of Nova Scotia, with staff support from the Nova Scotia Department of Finance. The accounting firm of Deloitte & Touche certifies the defeasance assets arranged by NSPC.

Under the terms of the privatization agreements, NSPI is responsible for the payment of all NSPFC expenses.

Outcomes and Performance Measures

Outcome 1

Entire outstanding debt defeased in accordance with the Defeasance Agreement.

Measure

The Defeasance Agreement required the defeasance of a minimum of $1,381,600,000 of outstanding NSPC debt by December 31, 1997. This minimum has already been met and surpassed, $1,440,290,000 having been defeased by March 31, 1997.

Outcome 2

Defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the province.

Measure

Outstanding debt as at 31 March 2006 was C$700,000,000 and US$ 300,000,000; defeased assets as at March 31, 2006 had the same principal amounts and market values of C$1,101,784,000 and US$408,471,425, thus rendering the guaranteed debt fully defeased. Adequacy of defeasance assets are certified by the auditing firm of Deloitte & Touche.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Rockingham Terminal Incorporated

Business Plan 2007–2008

Planning Context

Rockingham Terminal Incorporated (RTI) was created as a special-purpose Crown corporation in December 1998 by an Order in Council. RTI was established to promote, manage, and protect the interests of the Province of Nova Scotia within the context of the competitive bidding process commenced by Maersk Inc. and Sea-Land Services Inc. In May 1999, Maersk/Sea-Land announced that they would pursue development of a facility elsewhere.

RTI wound up operations and has been dormant since the end of the 1999–2000 fiscal year.

Priorities for 2007–2008

Since RTI remains unfunded and inactive, the plan for fiscal 2007–2008 is to wind up the company. Should future port development opportunities arise where an incorporated entity would be beneficial to the province, the province will incorporate such an entity at that time.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Sydney Environmental Resources Ltd
Sydney Steel Corporation

Business Plan 2007–2008

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Planning Context

Sysco and SERL report to the Minister of Transportation and Public Works, Province of Nova Scotia, and maintain a head office Sydney, Nova Scotia.

Sysco's primary activities, subsequent to the closure of the steel mill in 2001, included demolition of structures, processing and sale of scrap steel, remediation of the site, and sale of surplus assets.

In the case of SERL, its primary mandate of operating and maintaining the incineration complex originally built to clean up the Sydney Tar Ponds became obsolete with the decision not to proceed with the incineration plan.

During fiscal 2006–2007, it was recognized that the mandates of both Crown corporations were undergoing a significant change. In recognition of this change, it was determined that the future activity of remediation of the Sysco property and its redevelopment as a commercial park facility would be conducted by two new agencies, purposely designed to meet these property management roles.

Therefore, SERL will formally wind up operations on March 31, 2007. Sysco will become dormant at the end of the 2006–2007 fiscal year, with ongoing operations contracted to Nova Scotia Lands. The company will remain active to deal with residual issues arising from historic operations.

Priorities for 2007–2008

The plan for Sysco during the 2007–2008 fiscal year is to close out activities and have the corporation remain dormant.

Budget Context (Sysco)

Revenues	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
Revenue			
Scrap Sales	7,450,000	7,975,000	—
Rent	635,000	679,000	—
Other	408,000	1,526,000	—
Contribution from Province	12,300,000	10,250,000	17,545,000
	20,793,000	20,430,000	17,545,000
Expenses			
Payroll	1,102,000	1,458,000	150,000
Consulting	909,000	1,443,000	200,000
General and Administration	5,053,000	5,337,000	—
Security	384,000	600,000	—
Demolition and Environmental Remediation	9,295,000	5,549,000	17,195,000
	16,743,000	14,387,000	17,545,000
Surplus (Deficit)	4,050,000	6,043,000	nil

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2007–2008

Trade Centre Limited
Business Plan 2007–2008

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Mission

To create economic impacts by bringing people together in Halifax and Nova Scotia.

Link to the Corporate Path

Trade Centre Limited's corporate priorities are linked to and consistent with the directions and priorities of the province's Corporate Path in a variety of ways, as described below.

Creating Winning Conditions

Globally Competitive Business Climate and Connections

As a leader in the hospitality and events sector and as a member of the international World Trade Centre organization, TCL is accustomed to operating in a globally competitive business climate. This year, TCL intends to target the European market, now more readily achievable with the announcement of Iceland Air's scheduled air connections between Halifax and Europe and discussions are under way with Convention Centres of Canada to pool resources in Europe.

One of TCL's corporate priorities is to work with government and other stakeholders to establish a facility plan to ensure adequate infrastructure to host major national and international events. We are currently waiting for the final results of a feasibility study to expand the Convention Centre and construct a new multi purpose sports and entertainment facility.

Globally Competitive Connections

World Trade Centre Atlantic Canada (WTCAC) "makes trade happen" by introducing its members to new customers through a powerful network of 275 world trade centres in 83 countries. Over 750,000 companies worldwide belong to the largest not-for-profit organization in the world dedicated to creating trade opportunities—the World Trade Centres Association. Locally, the WTCAC supports its members through trade education, video conferencing services, market research, and networking opportunities. These services help Atlantic Canada's businesses thrive in the emerging global economy.

Seizing New Economic Opportunities

Leader in Information Technology

TCL officially launched Ticket Atlantic in November 2005—a new service that brought to Halifax and Atlantic Canada one of the most sophisticated ticketing systems available in North America. It gives customers immediate online information and ticket purchasing and printing capabilities. This system continues to be upgraded to improve operating efficiencies and expand system capabilities.

The Ticket Atlantic system is physically housed at Trade Centre Limited but is available to any event or venue in Atlantic Canada that seeks broader access to new customers and the reliability of a recognized ticketing operator. It addresses a major operational aspect of event delivery for organizers.

Building for Individuals, Families, and Communities

Healthy, Active Nova Scotians

Events, sports, and recreational activities taking place in TCL's facilities are major contributors to the health and well-being of our citizens. These activities engage Nova Scotians in the social and business aspects of the community and province, thereby contributing to healthy bodies and healthy minds.

With nearly one million individuals attending our events annually, and many more who take advantage of the recreational opportunities offered within our facilities, TCL is very supportive of the province's priority related to healthy, active Nova Scotians.

Accessible Services

TCL events cater to many different audiences at different price points and in a variety of venues, providing opportunities for all Nova Scotians to access events that meet their interests and economic situation. Our events cater to a broad range of interests and the online ticketing system helps to broaden ticket access to all Nova Scotians.

With respect to our venues, all TCL facilities are wheelchair accessible, and upgrades to physical accessibility are ongoing.

Vibrant Communities

TCL's mission is to create economic impacts by bringing people together in Halifax and Nova Scotia. To that extent, our events bring people together within our facilities and our community. Our entertainment and sporting events, conferences, meetings, conventions, and trade and consumer shows add significantly to the cultural dynamics of the city and province and make an important contribution to the overall quality of life in Nova Scotia.

Working in collaboration with other TCL business units and strategic partners in the community, Events Halifax continues to attract new major events for the province. This success is a testament to the abilities of the core staff to bring the necessary partners together and work with event organizers at every step of the process. The results have been stronger alliances within the community, incremental increases in the hosting capacity of our communities, and economic impacts that translate into further growth of the industry, and of the city and province in general.

Exhibition Park is an integral part of the community with a focus on trade and consumer shows. It continues to grow in its popularity as a venue for social gatherings such as weddings and private dinners. While the physical plant is aging, our attention to customer service continues to motivate our clients to choose this facility over others in the region. It attracts more than 150,000 attendees at more than 100 events each year. The Maritime Fall Fair, a long-established event in Nova Scotia held at Exhibition Park, continues to attract large numbers of attendees. It brings together both those who are interested in a fun-filled and exciting family entertainment event and those who participate and are interested in a serious competition and agricultural showcase.

The World Trade and Convention Centre consists of approximately 50,000 square feet of convention and exhibition space and is also home to Windows at the World Trade Centre, a full-service restaurant and event venue. The convention centre hosts approximately 600 events annually, which attract about 150,000 people from around the province and around the world. Renovations carried out in 2006 have upgraded the facility to provide a more inviting and comfortable environment for our customers.

Integrated with the World Trade and Convention Centre complex, Halifax Metro Centre, which is owned by Halifax Regional Municipality, plays a valuable part in any type of convention, meeting, or exposition, functioning as an exhibit floor and auditorium for major conference events.

Planning Context

The event and hospitality sector operates in a highly competitive global environment. Competition for conferences, trade and consumer shows, concerts, and sporting and entertainment events is fierce. As competitive venues continue to upgrade their facilities and build new ones, promoters, event planners, and patrons have an ever-increasing choice of venues. Competition in the local and regional market has increased with the opening of the Cunard Centre in Halifax and as other Maritime cities position themselves to compete in the industry. While customer expectations continue to grow, there is little recognition of the business relationship and commitment to the industry. Event cancellations and/or reductions in numbers of attendees are common in the industry and have a direct negative impact on our profitability. The mix of events in any given year has a direct impact on the profitability of our operations.

The economy continues to be strong in Halifax and nationally; however, our secondary market and most lucrative opportunity, the United States, will prove to be a challenge for Halifax, and indeed Canada, in the upcoming years. Canada has seen a substantial decline in tourism, meetings, and conventions in recent years. Many factors contribute to this downturn, including the new passport requirement in 2007, the declining buying power of the

U.S. dollar, a pending recession on the horizon, and the ongoing war against terrorism, which has subdued spending by many U.S. corporations. The announcement of Iceland Air's scheduled air connection to Europe is a very positive message and will provide increased access to European markets.

TCL operates the office tower, the Convention Centre and Windows, Ticket Atlantic, Halifax Metro Centre, and Exhibition Park. The Halifax Metro Centre (HMC) is owned by Halifax Regional Municipality and operated by Trade Centre Limited under a management agreement. Therefore, all operating deficits or surpluses accrue to the municipality, and all capital improvements are funded by the municipality. For purposes of the plan, HMC is referenced occasionally as it relates to the operation of Trade Centre Limited. With the ongoing maintenance and renovations to the Convention Centre and Halifax Metro Centre, a renewed pride has evolved in our properties, helping to rejuvenate employees' enthusiasm for our product. However, the office tower and Exhibition Park lack modernization and pizzazz. Exhibition Park is a remote property with a group of aging buildings. The office tower is not supported by the normal TCL business structure. If government support were to fail and provincial tenants leave for other accommodations the tower would be seriously challenged. In addition, as fuel and utility costs continue to rise, they increasingly have a negative effect on operating budgets.

Changing labour market conditions, including competitive market forces and a resulting decreasing labour supply, create pressures on our ability to attract and retain qualified professional staff and part-time employees. Large events require large numbers of people to set up and tear down, and serve customers.

TCL is fortunate to have many long-term employees who provide consistent service and are highly appreciated by our customers. A low turnover of staff means that they have intimate knowledge of our product and physical plant. Our employees take pride in what we do, and our customers tell us regularly that they appreciate the high-quality service they receive in all of our venues.

Impending retirements could create a knowledge and experience drain on TCL, and with more than 50 per cent of our employees eligible for retirement by 2016, the organization must put in place an aggressive succession plan. Meeting the specific needs of various generations in the workplace places significant demands on management. Furthermore, constraints on wage increases and market positioning deters TCL from offering competitive compensation packages compared to the private sector, placing further pressures on the organization's ability to continue to deliver high-quality customer service.

TCL has a proud history of generating significant economic activity in the Halifax Regional Municipality (HRM) and the Province of Nova Scotia and will continue to do so in the coming year. We will continue to work with our partners to focus on attracting high-profile sporting and cultural events, conferences, and trade and consumer shows and identify new opportunities by targeting new markets.

The events industry is a high-risk industry, and by setting aggressive targets, there will be a higher risk to the bottom line. Ongoing investment is imperative to allow us to invest in our people, operations, and facilities, which in turn will allow us to take full advantage of growth opportunities. These opportunities will support both achievement of our long-term sustainability and continued contribution to the economic well-being of the province in a very significant way.

With proper investment the future looks bright. As an important contributor to the provincial economy, TCL looks forward to 2007—2008 with much enthusiasm and anticipation.

Strategic Goals and Corporate Priorities

In support of TCL's mandate as an economic engine, our mission is to create economic impact by bringing people together in Halifax and Nova Scotia. As part of the TCL strategic plan, the organization set out three supporting directives that serve as a guide for annual business planning:

1. Generate increased revenues sufficient to permit increased investment in our people, operations, and facilities, allowing TCL to take full advantage of long-term growth opportunities.
2. Deliver great events through our ability to innovate, assess risk, and mobilize resources and partnerships.
3. In partnership with government and other stakeholders, establish the infrastructure necessary to host major national and international events.

Within these three strategic goals, TCL has established a number of corporate priorities for the 2007–2008 fiscal year. As in the past year, these priorities have been organized into four distinct categories—economic and financial, stakeholders and customers, operations, and people.

Economic and Financial

Fulfil our Mandate as a Community Economic Driver

In 2007–2008, we will target to achieve a direct economic impact of $90 million from our events. TCL measures direct economic impacts each year, and this target is based on the last 10-year average. The model that has been in use is being redeveloped in the coming year, and we expect it will provide more precise results than those we have been able to collect in the past.

Our events, conferences, and trade shows draw significant attendance from within the province but also from across the country and around the globe. Many attendees who come from outside the province come early or stay after the event. The economic spinoff from our events is substantial and is felt around the province as these tourists travel outside HRM to take in attractions and events in other communities.

Inherent in our business is a parallel relationship between attracting major events and the financial and operational risks associated with them. These risks are never taken lightly and are carefully considered from all perspectives before a decision is made to pursue an event. In our experience, the resulting economic impact for the province often justifies a well thought-out, calculated risk.

Maximize Revenue and Operational Efficiencies

Our financial goal in the next fiscal year is to maximize revenue potential and operational efficiencies in all our business units.

Our total revenue projections are $13.3 million. This, however, will generate an operating deficit of $253.3 thousand for Trade Centre Limited.

All of our revenue-generating units are expected to achieve a positive contribution in 2007–2008 with the exception of the World Trade and Convention Centre and Exhibition Park, which are forecasting a loss. Accessing new markets and customers will continue to be our priority and will be enhanced through development of a number of key partnerships. Events Halifax is expecting to break even.

At the same time, the Convention Centre remains the largest economic generator of all our facilities. The value proposition of convention centres across the country is that they are typically not considered profit centres but rather their real value is in the positive economic impact generated for their communities and provinces.

Stakeholders and Customers

Contribute to the Vibrancy of our Province

TCL has been part of the global economy since 1984. Our venues attract people from many countries to a variety of events that contribute to the cultural diversity and overall quality of life in Nova Scotia. We market the city and the province around the world. When delegates attend our events, they are exposed to the province, our culture, and our lifestyle; and at the same time, the local population is exposed to many different cultures and peoples from around the world.

In the next fiscal year, we intend to measure the impact and contribution of the many diverse events TCL hosts to the overall vibrancy of the Province. This is a new measure, and we will determine the most appropriate manner in which to develop and represent the outcomes. At this time, we expect that the measurement may include the following: types of events, countries represented by convention/ conference delegates, numbers of delegates, and community participation, including the number of volunteers and percentage of local population attending events.

Our events build local pride and confidence, contribute to the provincial immigration strategy, and strengthen our partner relationships.

Expand Markets through Strategic Partnerships

Our plans for 2007–2008 include an expansion of our markets by engaging in strategic partnerships with both local and regional partners and partners in key markets. Through a combination of joint marketing and promotions and co-operation on a number of key events, we expect to make inroads into new markets, particularly the European market, and attract new customers in existing markets. Success in new markets may not be measurable in the next fiscal year, but by working collaboratively with partners in markets where they may already have a presence, we expect to achieve a quicker return on our marketing investments than if we were to approach those markets on our own.

We believe that by leveraging each other's strengths, the partners can meet not only their own objectives but collaboratively contribute significantly to the overall well-being of the province.

Enhance our Customers' Overall Experience

TCL prides itself in providing outstanding customer service and, through a combination of new service offerings, a broad range of event offerings, and a number of new initiatives, we will provide our customers with an overall enhanced experience in their relationship and interaction with TCL. New service offerings will provide our customers with greater convenience and a greater variety of service options and, at the same time, allow us to expand our customer base. Our events reach a large and diverse audience, and continuing analysis will ensure that we cater to the widest possible customer base.

A new customer recognition program, ongoing infrastructure improvements to all our facilities, and advocacy on behalf of our customers will round out our plans for the next fiscal year to allow us to provide our customers with truly memorable experiences.

Operations

Carry Out Renovations and Upgrades

From an operations perspective, our focus in the coming year will be on continuing to upgrade and improve our facilities. Our priorities for the next fiscal year will include the ongoing capital projects in the office tower and infrastructure upgrades at the Exhibition Park facility. We expect to complete at least three projects within a $3.3-million budget in the next fiscal year in the office tower. We will scope out the upgrades required at Exhibition Park to determine options, resources, and funding necessary to bring the facility to a state where it can compete more successfully against similar facilities in the region. Other improvements will include cosmetic upgrades to washrooms and safety upgrades for catering outlets at Exhibition Park, ongoing improvements to the Halifax Metro Centre, some equipment replacements, and improving accessibility in all our facilities.

People

Priorities in the People area are described in some detail in the Human Resources Strategy chapter of this business plan. The primary areas of focus for 2007–2008 will include employee recruitment, employee issues resolution, and succession planning, described below.

Enhance New Employee Recruitment Process

Attracting both hourly and professional employees is becoming more challenging in an increasingly competitive labour market. The peculiarities of the event industry demand that often very short turnaround times are required from time of posting to hiring. In addition, recruitment for professional staff requires operating in a global marketplace. To ensure that Human Resources is able to provide the necessary support to the TCL management team, additional resources and process efficiencies will be put in place.

Implement Employee Issues Resolution Process

In our ongoing efforts to create a fair and equitable workplace, TCL will implement an employee issues resolution process to allow for appeals and peer involvement. This will support consistent and unbiased decision making in resolving employee issues. With a commitment to budget for program development and training, we expect to implement the program by the end of fiscal year 2007–2008.

Develop a Succession Planning Model and Program

Our goal in the coming year is to develop a succession planning model, policies, processes, and plan in three key areas: career planning, replacement planning, and leadership planning. Career planning will ensure that our employees are provided the opportunity to consider their career opportunities with TCL; replacement planning is intended to develop a process to replace knowledgeable and experienced employees; and leadership planning will address replacement of key leadership positions in the organization.

We expect to develop the program by the third quarter and roll out the career planning portion by the fourth quarter of 2007–2008. Replacement and leadership planning will be rolled out in subsequent years.

Human Resources Strategy

Rapidly changing external influences are exerting increasing pressure on today's work environment—be it qualified labour supply, decreasing unemployment rates, demographics, or a positive growth forecast for the city and province. Within Trade Centre Limited this translates into challenges with recruitment and retention, especially for professional part-time workers; conflicting expectations of a multi-generational workforce; impending retirements; increasing costs; succession gaps/risks within the next 7–10 years; heightened expectations of work-life balance; and higher expectations for salaries, wages, and benefits. As well, the events-hosting industry demands flexibility, shift-work, and just-in-time staffing. This creates challenges in how we can build employee engagement and loyalty with over 90 salaried employees, 75 core hourly employees, and 350 part-time employees from across our seven business units and seven corporate units.

Trade Centre Limited's human resource strategy must address these needs to help the organization maintain a competitive advantage within the events-hosting industry. In the past few years, through education and awareness, we have begun a shift in our culture around the importance of rewards and recognition at the management and supervisory level. In the past fiscal year we focused on training more than 50 managers and supervisors in rewarding and recognizing their employees, launching a diversity program pilot, and expanding feedback through performance appraisals to include part-time core employees. We have completed an annual employee survey to ensure that we can track and measure our employee satisfaction. In 2006–2007 we made progress, but there is still much work ahead.

In the coming year, our human resources efforts will focus on three key areas. We will concentrate increased resources on attracting and retaining employees in a very competitive labour market. Investment in this area will be targeted to provide increased recruitment support to operations. We will review existing recruitment practices and policies and the roles and responsibilities of Human Resources staff in meeting the needs of our internal customers with regard to recruitment, selection, and retention.

To help build employee involvement, Human Resources will develop a process of employee issues resolution to allow for an appeals process and peer involvement. This will promote a decision-making process that is fair and consistent across the organization.

We will also begin a process of mapping out career paths and replacement planning at all levels within the organization. As well, we will begin management education in succession planning and decision making to ensure that we keep an eye to the future to support our ability to take advantage of growth opportunities.

Budget Context

TCL faces unique challenges from a funding perspective, in that our facilities were created as economic generators for the province and not as profit centres. For a period of time TCL was successful in achieving surpluses; however, they were not sufficient to support all annual capital needs. In the past several years, we have experienced deficits, and our forecasts indicate a continuation of that trend. The majority of this loss results from the operation of our largest economic generator, the Convention Centre.

To remain competitive, TCL must invest in the business for the long term. This means that investments in marketing, human resources, facilities, and enhanced and new service offerings are critical. These investments must be both tactical and strategic in nature. Without these investments, TCL will quickly loose market share which will negatively impact our contribution to the economic well being of the province. TCL strives to manage its resources responsibly and achieve the maximum return on each of its investments.

TCL operates a number of event driven business units that depend solely on the number of attendees and the level of spending per attendee, which in turn drives the organization's revenues and expenses. The business units generate economic benefits for the Halifax Regional Municipality and the province by bringing people together from within the region and around the world. Attracting attendees from outside Nova Scotia generates additional tourism revenues for the province through pre and post delegate travel expenditures. TCL's level of economic return to the province far exceeds the revenue shortfall and the need for support from the province.

We expect to end the current fiscal year on a high note with a shortfall of $170.7 thousand for TCL. In 2007–2008, we expect to generate revenues of $13.4 million, necessitating an investment of $253.4 thousand from the Province of Nova Scotia.

Operations Budget Summary 2007–2008

For the year ended March 31

	Estimate 2006–07 ($)	Forecast 2006–07 ($)	Estimate 2007–08 ($)
Revenues	10,985,890	12,707,248	13,373,007
Expenses			
Event operations	4,221,616	5,666,529	5,512,475
Salaries and benefits	2,811,645	2,895,235	3,596,095
General operations	3,201,075	3,296,843	3,487,810
Taxes and insurance	1,025,000	1,051,826	1,060,000
	11,259,336	12,910,433	13,656,380
Income (loss) before other items	**(273,446)**	**(203,185)**	**(283,373)**
Other income	20,000	30,000	30,000
Income (loss) before depreciation	**(253,446)**	**(170,685)**	**(253,373)**
Depreciation	1,650,000	1,519,648	1,650,000
Income (loss) for the year	**(1,903,446)**	**(1,690,333)**	**(1,903,373)**

Note: Revenues and expenditures for the Halifax Metro Centre are not reflected in this budget. Halifax Metro Centre is a facility owned by the Halifax Regional Municipality and operated by Trade Centre Limited under a management agreement. All operating deficits or surpluses accrue to the municipality, and all capital improvements are funded by the municipality.

Forecasts for 2006–2007 are as at time of preparation.

Outcomes and Performance Measures

Strategic Goals and Corporate Priorities *Economic and Financial*

Outcome (immediate (or inter-mediate)	Measure	Data: Base Year 2006–07	Target: Year 2007–08	Strategic Action to Achieve Target
Priority: Fulfil mandate as a community economic driver				
Economic impact from TCL events on HRM and Province of Nova Scotia	Direct economic impact	No base year for this measure. Average direct economic impact over the past 10 years is $90 million	$90 million	• Each of the business units has plans to support this priority • Develop economic impact model
Priority: Maximize revenue potential and operational efficiencies from all our business units				
Maintain deficit as a percentage over (estimate) last year's expense budget	Deficit as a percentage of expenses.	Deficit as a percentage of expenses is 2.2%	2.2%	• Operational unit sales, marketing, operations, and HR plans

Strategic Goals and Corporate Priorities *Stakeholders and Customers*

Outcome (immediate (or inter-mediate)	Measure	Data: Base Year 2006–07	Target: Year 2007–08	Strategic Action to Achieve Target
Priority: Contribute to the vibrancy of our province				
Build local pride and confidence Expose Nova Scotia and HRM to the world Strengthen partner relationships	Measures may include: • types of events • delegate countries • numbers of attendees • community participation (# of volunteers and % of local population attending events)	No base data	Under development	• Define criteria • Engage partners and stakeholders • Examine current data • Collect data
Priority: Expand markets through strategic partnerships				
Expanded customer base Strengthened and/or new partnerships	New partnership initiatives	No base data	5 new partnership initiatives throughout the year, which may include joint marketing program, promotion, and/or events	• Engage partners • Identify collaborative opportunities • Develop plan to pursue opportunities • Increase bookings
Priority: Enhance our customers' overall experience				
Consistency in process across TCL for customer satisfaction measurement	• Complete customer satisfaction measurement • Understanding of customer satisfaction through formal mechanisms on a regular basis	Not available	Customer surveys for all TCL venues Consolidated results for TCL	• Develop surveys for remaining venues and consolidate into TCL results • New service offerings through WTCAC • Expand Ticket Atlantic outlets • Analysis of existing customer base

Strategic Goals and Corporate Priorities *Operations*

Outcome (immediate (or inter-mediate)	Measure	Data: Base Year 2006–07	Target: Year 2007–08	Strategic Action to Achieve Target
Priority: Carry out renovations and upgrades				
Renovations and upgrades to the Convention Centre completed according to plan	Project completion on time and on budget	Completed 12 projects within $3.7 million budget. Exceeded plan by 1 project within planned budget	Complete 3 projects within budget of $3.3 million	• Obtain Province of Nova Scotia approval • Develop renovation plans, tender, and award contracts
Deliver an infrastructure plan for Exhibition Park with both short- and long-term goals with capital funding	Completion and approval of plan for long/short-term infrastructure improvements	Not available	Seek partner commitment Board approval	• Scope and resource the long/short-term plan initiative • Develop the plan • Board presentation

Strategic Goals and Corporate Priorities *People*

Outcome (immediate (or inter-mediate)	Measure	Data: Base Year 2006–07	Target: Year 2007–08	Strategic Action to Achieve Target
Priority: Enhance new employee recruitment process				
Employee recruitment process meets TCL needs	Create terms of service agreements for key positions Create effectiveness and efficiency measures	No base data	Meet terms of service agreements for key positions Establish and report on 3 key measures	• 35% increase in budget • Dedicated HR resources • Review and enhance recruitment process • Develop service agreements • Define key measures and reporting process
Priority: Implement employee issue resolution process				
Employee issue resolution process implemented	Program developed and implemented	No base data	Implementation by March 31, 2008	• Management commitment • Research and recommend new process • Commit budget for set up and training
Priority: Develop a succession planning model and program				
Succession planning model and program developed, including • career planning • replacement planning • leadership planning	Succession planning policies, process, and plan developed and approved Career planning under way in all operational units	No base data	Policies, process, and plan developed and approved by Q3 Career planning under way by Q4	• Ensure initiative is resourced • Develop and execute the plan for moving forward • Seek board approval

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2007–2008

Waterfront Development Corporation Limited

Business Plan 2007–2008

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Mission

To pursue the provincial interest in the short- and long-term development of Halifax Harbour as well as the diverse, dynamic, and vibrant provincially designated waterfront areas of Halifax and Lunenburg Harbours, working in close collaboration with our key stakeholders and communities. We do so by planning, coordinating, promoting, and developing properties, events, and activities.

Vision

Waterfront Development Corporation Limited is recognized as a lead organization for coordinating the pursuance of the provincial interest in the development of the designated waterfront areas of Halifax and Lunenburg Harbours and is actively engaged in establishing Halifax Harbour as pre-eminent in North America. Through our approach and our respect for community values there is a shared understanding of our mandate and goals among key stakeholders. We maintain effective relations with the province, the federal government, and local communities. Our governance, operational, and financial structure allow the corporation to effectively achieve its aims. As a result, our efforts are making an increasing contribution to the economic development of the harbour and the province.

Mandate

Waterfront Development Corporation Limited's mandate includes:

- Acquisition of property, coordination, planning, and property management within designated areas of Halifax Harbour, including Bedford, Dartmouth, Halifax, and other areas so designated by our shareholder, which presently includes certain properties on the Town of Lunenburg waterfront
- Marketing, promotion, and events designed to attract public use of the Halifax Harbour waterfronts
- Overseeing provincial interest in the industrial development of Halifax Harbour through coordinating best use of provincial land

Link to the Corporate Path

The corporation's business plan and priorities are aligned with the overall corporate goals of the province through providing existing and planned public infrastructure, spaces, and events on the waterfronts, which all add significantly to the regional ability to compete globally in important amenities that attract business investment and visitors to the region. Halifax Harbour waterfronts, in particular Halifax, are among the best-known and visited waterfront destinations in North America. Halifax has received the coveted International Best Tall Ships Port award for three consecutive times, 1984, 2000, and 2004.

Planning Context

Waterfront Development Corporation Limited has a unique role within the province. Through ownership, it is directly responsible for over $100,000,000 worth of waterfront real estate located in economically significant and culturally important centres of Halifax Regional Municipality and the Town of Lunenburg. Planning and coordination responsibilities for provincially owned property with port industrial potential in much broader areas surrounding Halifax Harbour have been recently assigned by the provincial government. Implementing the provincial interest in these areas of responsibility intersects with the interest and jurisdiction of municipal and federal government agencies and private land owners. Managing these relations and responding to the diverse expectations and stakeholder interests and the community at large has significant challenges. Having this broad mandate and responsibility requires considerable attention to human resources allocation and establishment of priorities within the confines of provincial financial management goals.

The corporation's financial and business planning is based on market forces. To the largest extent the corporation has been financially self-sustaining, that is, without significant taxpayer support, for more than a decade. A loan guarantee from the province and targeted grants for specific programs, such as Tall Ships, has assisted in achieving this self-sustainability. Lack of dependence on the provincial taxpayer has allowed the corporation flexibility in its plans and programs. As development of corporation land proceeds, the ability to be self-sustaining may diminish due to the market forces that determine income from property development. These market forces together with increased cost for maintaining important public spaces and meeting provincial financial debt management goals create significant challenges.

Designated waterfront areas under the corporation's jurisdiction have become the most-visited public spaces in Nova Scotia by visitors and Nova Scotians alike. This has increased public and stakeholder expectations and demands for such things as maintenance, event management, safety and security, and services, such as recreational vessel docking, which require additional resources and operational expenditures.

Strategic Goals

- Strategic plans, development initiatives, and acquisition plans for waterfront lands essential for rejuvenation and economic development of designated areas
- Coordinated plan for provincial interest in industrial use and development of provincial lands on Halifax and Lunenburg Harbours
- High-quality and cost-effective property management to enhance visitor experience and revenue generation
- Development and promotion of events and festivals to enhance the economic, social, and cultural experiences of Nova Scotians and visitors
- Collaborative relationships with government agencies and stakeholders
- Governance, management, and human resources for effective achievement of goals

Core Business Areas

- Coordination and planning of best-use development of Halifax Harbour and Lunenburg waterfront lands
- Management of waterfront property in Bedford, Dartmouth, Halifax, and Lunenburg
- Creation of events for and promotion of Halifax Harbour waterfronts as centres of year-round activity and interest for Nova Scotians and visitors

Priorities for 2007–2008

Below is a discussion of priorities for 2007–2008. A detailed list of projects and initiatives associated with these is contained in Appendix I.

Coordination and Planning

The corporation has a portfolio of multi-year development and ongoing projects that it will continue to pursue in this coming fiscal year. These include

- the Salter Block Development and Queen's Landing in Halifax
- Dartmouth Harbourwalk
- long-term land creation in Bedford
- the provision of public open space and marine facilities in all designated areas of Halifax Harbour

Ongoing planning priorities include

- a strategic and urban design plan for the Cable Wharf precinct
- a needs assessment and plan for Phase II in Bedford, in collaboration with Halifax Regional Municipality

- a plan for Dartmouth Cove, again in collaboration with Halifax Regional Municipality, to inform the potential future opportunities for other land of the corporation in the downtown

In Lunenburg the priority will be

- to assist the Office of Economic Development and the Town of Lunenburg to maintain recently acquired key waterfront lands for marine-related use
- to coordinate a strategy, a plan, and governance for the long term

Property Management

The corporation owns and manages real estate valued at approximately $100,000,00. Much of this real estate generates revenue from parking, commercial leases, and vessel berthing at various wharves and facilities. A significant portion is developed for public use and is generally non-revenue generating. All properties require maintenance and operating expenditures based on maintaining high-quality and safe public leisure opportunities and commitments to tenants. Priorities will continue to be providing high-quality leisure space and meeting contractual commitments to tenants. In Bedford management of the pyretic slate fill operation continues to be a priority.

Berthing opportunities and their management, for both local and visiting vessels, continues to be a priority in Bedford and Halifax. The corporation currently contracts out the day-to-day management of this operation; however, a review of the best management solution will be a priority in the coming fiscal year. Increased focus on the waterfront areas, in particular Halifax, continues to draw interest from commercial and non-profit organizations alike for special and ongoing events requiring increased management.

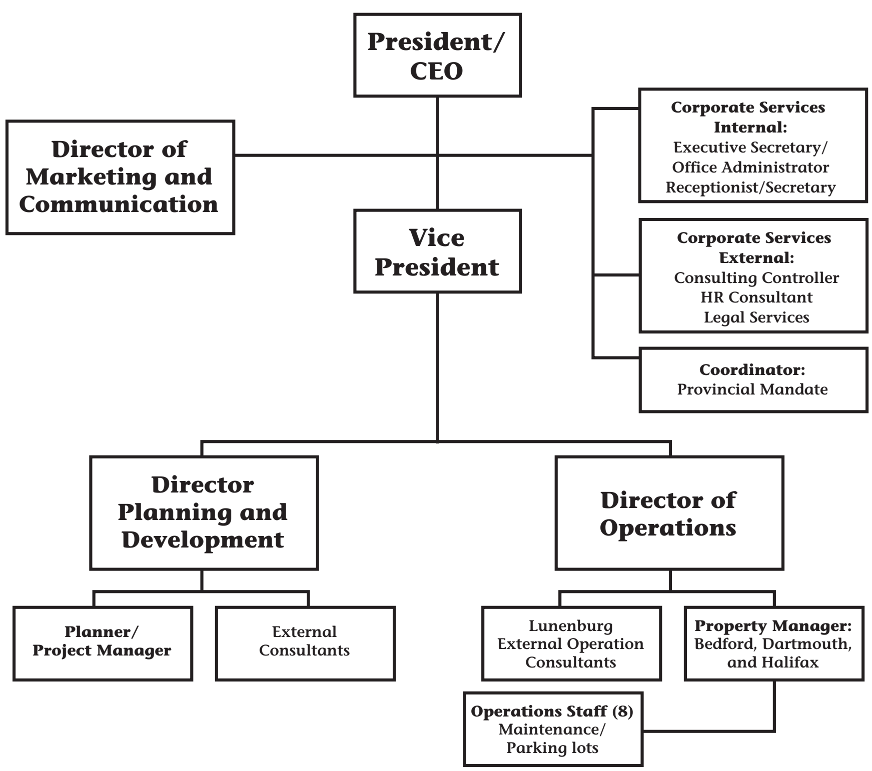
In Lunenburg a priority is the ongoing maintenance of the properties to stabilize their condition and ensure that they meet or exceed quality standards as the properties are put on the market for commercial lease. Maintaining relations and services to a number of new and inherited tenants is also important.

Events and Promotion

The corporation in association with partners and sponsors has developed an aggressive events program. It is a priority to develop events that provide strong economic, cultural, and social benefits to the region and Nova Scotia. The priorities include a Tall Ships Nova Scotia Festival and Halifax Harbour Festival. A business plan has been produced for a Nova Scotia Tall Ships Festival with five international opportunities existing through to 2020. The corporation has contracted out the overall event management of this program and will in this fiscal year create internal staff positions for the overall management. Contracting-out a number of services, such as sponsorship and marketing, will continue. Halifax Harbour Festival is a new event that has been in the development stages for the past four years. During 2007–2008 an evaluation of municipal and federal partners will be undertaken to determine the future of this event.

Human Resource Strategy

The corporation will have a staff of 15: 9 involved in planning, development, events, and administration, and 6 in maintenance and parking operation. The organization chart of the corporation is found below and generally represents the three core business areas outlined above. New to this fiscal year will be implementing internal staff of our events and promotion business area with a manager and administrative support and staffing the coordination of our expanded mandate related to provincial interest in harbour industrial land.



Communications

WDCL will continue to develop communications mechanisms to communicate its mandate and priorities to the province, stakeholders, and the public and to seek input on programs and projects. The communications mechanisms include the WDCL website, corporate newsletter, public information sessions, focus groups, participation in community events, and hosting events for the public on the Halifax waterfronts in Bedford, Dartmouth, and Halifax.

Financial Management

Fiscal 2006 marked the 12th consecutive year of achieving an operating surplus. During this period, the accounting equity has increased by approximately $10,000,000. This strengthened financial position has allowed the corporation greater flexibility in managing its financial affairs and concentrating resources in projects that are best aligned to the corporation's mandate.

The corporation continues to generate the majority of its cash flow from parking lot operations, as well as building and ground leases. This revenue was in excess of $3.1 million in fiscal 2006. Overall net earnings before appropriations to special use funds were approximately $900,000 in 2006, and cash flow from operations was approximately $1.3 million. This cash flow was used to reduce our operating line of credit from $4.2 million to $2.8 million, a reduction of $1.4 million.

The corporation's special use funds, the Infrastructure Renewal Fund and the Special Events and Festivals Fund, are presently unfunded. The corporation has considered the savings in interest expense on our line of credit to be the most efficient use of these funds at this time. Consideration will be given in the future to segregating and allocating these funds and developing an appropriate investment policy. Also assisting the debt reduction over the past several years has been a positive cash flow from Bedford infill operations. Had the special use funds been funded and the Bedford infill funds segregated, the operating line at March 31, 2006 would have been approximately $7.5 million.

The Infrastructure Fund was established to allow for the eventual replacement of significant waterfront assets such as wharves, boardwalks, and parks as they deteriorate due to aging. The annual transfer is based on a detailed engineering study and certain financial assumptions. The corporation recognizes that budget challenges will be faced in future years as these assets required replacement. Establishing this fund is a means of tracking the future liability for capital expenditures—a valuable tool for stakeholders and long-term capital planning.

Fiscal 2007 marked the first full year of management of properties on the Lunenburg waterfront. The corporation expects to manage these Lunenburg assets until they are transferred to a community organization. The province provides an operating grant to fund any deficit from Lunenburg operations.

There are presently several projects on the HRM waterfront at various stages of development. These include the waterfronts of Bedford, Dartmouth, and Halifax. It is anticipated that the projects will generate more than $200 million in private investment and significant long-term benefits to the province and Halifax Regional Municipality. These projects are based on "best use" of these valuable waterfront properties and are consistent with the corporation's mandate and the economic priorities of the Province of Nova Scotia. The corporation's programs are almost all multi-year commitments. Development projects require years to plan and implement and necessitate upfront or prior contractual capital and operating expenses beyond any specific fiscal year. The same is true for event planning, necessitating long-range financial planning and commitments of the corporation's finances, as well as those of its partners, into the future to ensure financial success of the events.

As the corporation proceeds with development plans to enhance the various waterfronts, it is anticipated that portions of the parking revenue stream will be permanently lost. While ground leases and other revenue opportunities will replace some of this revenue, portions of these projects will become public space. The corporation recognizes that developments that incorporate attractive public space enhance the overall appeal of the waterfront areas and ultimately lead to greater tourism and overall use of the waterfront areas. While it is expected that the municipality and province will enjoy an increased tax base, the public space is not a direct revenue generator for the corporation, but rather, is a source of increased expenditures. Finding the best mix of private and public uses will continue to be a focus in the corporation's long-term planning. The corporation will continue to work with our shareholder to respond to these challenges.

Budget Context

	2005–06 Actual	2006–07 Forecast	2006–07 Estimate	2007–08 Estimate	2008–09 Estimate	2009–10 Estimate
Revenue						
Rents	$ 1,139,218	$ 1,120,000	$ 1,039,511	$ 1,120,000	$ 1,136,000	$ 1,105,000
Parking	1,934,144	2,020,000	1,966,000	2,082,000	1,600,000	1,250,000
Events	—	25,000	20,000	30,000	31,000	32,000
Recoveries & other income	68,970	243,000	64,841	133,000	210,000	93,400
Wharfage	64,975	109,000	52,732	100,000	89,000	92,000
Grant income	133,400	178,400	178,400	178,400	184,000	190,000
	$ 3,340,707	**$ 3,695,400**	**$ 3,321,484**	**$ 3,643,400**	**$ 3,250,000**	**$ 2,762,400**
Operating Expenses						
Property taxes	20,078	24,000	24,000	24,000	25,000	26,000
Operating	739,880	775,000	785,000	823,700	739,000	768,000
	$ 759,958	**$ 799,000**	**$ 809,000**	**$ 847,700**	**$ 764,000**	**$ 794,000**
Income from Property	**2,580,749**	**2,896,400**	**2,512,484**	**2,795,700**	**2,486,000**	**1,968,400**
Program Expenses	113,856	475,500	228,500	390,000	350,000	200,000
Lunenburg revenue	30,902	182,000	137,000	142,000	142,000	0
Lunenburg grant	196,225	496,600	706,200	606,200	606,200	0
Lunenburg expenses	227,127	678,600	843,200	748,200	748,200	0
	0	0	0	0	0	0
Tall Ships revenue	0	0	0	3,200,000	0	3,200,000
Tall Ships expenditures	0	100,000	0	3,200,000	0	3,200,000
	$ 0	($ 100,000)	$ 0	$ 0	$ 0	$ 0
Administration Expenses						
Advert./Events	$ 38,613	$ 88,500	$ 88,500	$ 113,500	$ 125,000	$ 129,000
Audit	18,455	18,500	18,500	18,500	20,000	21,000
Bad debts	8,024	30,000	12,000	12,000	13,000	14,000
Consultants	20,000	50,000	20,000	30,000	42,000	44,000
Depreciation & amortization	390,232	345,000	390,000	350,000	449,000	463,000
Directors	69,177	73,000	70,000	105,600	109,000	113,000
Legal	87,391	40,000	45,000	20,000	31,000	32,000
Office operations	86,141	77,000	82,000	80,700	86,000	92,000
Professional development	—	2,200	5,000	10,000	11,000	12,000
Salaries & contracts	436,758	495,000	551,000	676,800	767,000	791,000
Staff expenses & benefits	77,261	75,000	98,000	111,600	115,000	119,000
Interest on long-term debt	209,562	222,000	216,000	275,000	396,000	408,000
	$ 1,441,614	$ 1,516,200	$ 1,596,00	$ 1,803,700	$ 2,164,000	$ 2,238,000
Income (loss) before Other	1,025,279	804,700	687,984	602,000	(28,000)	(469,600)
Infrastructure Fund net income	68,127	110,000	99,000	155,000	160,000	165,000
Harbour Festival	(116,722)	(92,000)	(30,000)	0	0	0
Net Income (loss)	**$ 976,684**	**$ 822,700**	**$ 756,984**	**$ 757,000**	**$ 132,000**	**$ (304,600)**

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Strategic plans, development initiatives and acquisition plans for waterfront lands essential for rejuvenation and economic development of designated areas.	Approved plans and initiatives to rejuvenate waterfront lands	Completion of plans and initiatives	N/A[1]	14	N/A	• Coordination with HRM • Private sector negotiations on development proposals • Capital Investment in Infrastructure
Coordination of provincial interest in industrial use and development of provincial lands on Lunenburg Harbour.	Leasing of properties for marine industrial use	Acres of land leased	2006: one acre	5 acres	N/A	• Request for Proposals
Funding for high quality and efficient property management to enhance visitor experience and revenue generation.	Revenue Generation and increased visitation	Increased Revenue from commercial parking and tenants	$3,374,000	$3,396,400	3,040,000[2]	• Competitive parking rates and efficient operations • Capital investment • Enhanced maintenance

1. N/A = not applicable

2. Overall revenue reduced due to replacement of parking with best use development

April 2007

Outcome	Indicator	Measure	Base Year Measure	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Development and promotion of waterfront events and festivals to enhance the economic, social and cultural experiences of Nova Scotians and visitors.	Attraction of visitors and Nova Scotians to events	Economic Impact to the Province	2004 for every $1 spent a return of $20 to the province	For every $1 spent a return of $20 to the province	N/A	• Effective management of event • Business Plans
Collaborative relationships with government agencies and stakeholders.	Successful partnerships through leveraging WDCL funds	Attracting public and private sector funding	2004: Public—$1.3 million Private—$1.6 million	Public—$1.5 million Private—$.7 million	N/A	• Funding proposals to municipal and federal agencies • Private sector sponsorship strategies
Governance, management and human resources for effective achievement of goals.	Governance and management structures to attain goals	Overall performance of corporation, board, and staff	N/A	N/A	N/A	• Governance review and policy • Effective Strategic plan

Appendix 1: List of Projects

1.Coordination and Planning

- Strategic acquisition/disposition of assets essential for realization of waterfront plans.
- Municipal development approval of land at the foot of and to the south of Salter Street in Halifax to achieve additional public space and private-sector development opportunities.
- An analysis of and plan for the development of public space and marine infrastructure in water lots adjacent to the Salter Block development.
- Complete feasibility plan for the Queen's Landing Project.
- In partnership with HRM create a vision and plan potentially including a fast ferry concept for Phase II in Bedford and if feasible negotiate a partnership with the private-sector land and water lot owner adjacent to Phase II in Bedford to achieve access and a joint development opportunity.
- An analysis of options leading to a specific plan and construction of improvements to public space and infrastructure in the Mill Cove area of Phase II.
- Improve public facilities in all waterfront areas, in particular trails, washrooms, and public spaces.
- Complete Phase II of Dartmouth Harbourwalk.
- Master plan for Dartmouth Cove including a plan for public space at the foot of Maitland Street in Dartmouth Cove.
- Analysis of options for the private development of WDC-1 in Dartmouth.
- Implement plans for the Cable Wharf, Cable Wharf Plaza, and the Nova Scotia Crystal Building.
- Provide coordination of provincial interest in lands on Halifax Harbour via the Deputy Minister's Committee on Port Development and Land Use.
- In co-operation with HRM, champion and coordinate on waterfront park and trail development along the Dartmouth waterfront, from the MacDonald Bridge to Woodside Ferry Terminal, and seek public and private sector funding support.
- In association with the Office of Economic Development and the community of Lunenburg, develop a sustainable plan for the marine use of recently acquired waterfront land.

2. Property Management

- Generate revenue for operating and capital expenditures.
- Manage public marine facilities for the boating public and visitors.
- Create new land for public space and development through infilling of water lots.
- Maintain properties and public spaces to a high standard and use best practices.
- Implement occupational health and safety plan and practices.
- Carry out ongoing maintenance of the properties in Lunenburg to stabilize their condition and ensure that they meet or exceed quality standards.

3. Events and Promotion

- Engage waterfront stakeholders to develop a waterfront marketing strategy.
- Provide relevant timely information on waterfront activities to Nova Scotians and our visitors.
- Work with waterfront stakeholders and partners to form a waterfront marketing group to address year-round retail and service opportunities.
- Commitment to Tall Ships 2007 and 2009.
- In co-operation with other stakeholders assess the future of the Halifax Harbour Festival.
- Provide support to annual waterfront festivals and events such as SummerFest Canada Day celebrations, International Buskers Festival, Halifax-Dartmouth Natal Day, Bedford Days, alFestcofilmFesto, Nova Scotia Designer Craft Council Show of Hands Summer Craft Festival, and NBA Hoop it Up Competition.